

PRESIDENT'S 2013 TRADE AGENDA

HEARING
BEFORE THE
COMMITTEE ON FINANCE
UNITED STATES SENATE
ONE HUNDRED THIRTEENTH CONGRESS
FIRST SESSION

MARCH 19, 2013



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PRESIDENT'S 2013 TRADE AGENDA

TUESDAY, MARCH 19, 2013

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, DC.

The hearing was convened, pursuant to notice, at 10:33 a.m., in room SD-215, Dirksen Senate Office Building, Hon. Max Baucus (chairman of the committee) presiding.

Present: Senators Wyden, Stabenow, Menendez, Carper, Cardin, Brown, Hatch, Grassley, Roberts, Thune, Isakson, and Portman.

Also present: Democratic Staff: Amber Cottle, Staff Director; Mac Campbell, General Counsel; Bruce Hirsh, Chief International Trade Counsel; Hun Quach, International Trade Analyst; and Chelsea Thomas, Professional Staff. Republican Staff: Chris Campbell, Staff Director; Everett Eissenstat, Chief International Trade Counsel; Paul Delaney, International Trade Counsel; Gregory Kalbaugh, International Trade Counsel; and Rebecca Nasca, Staff Assistant.

OPENING STATEMENT OF HON. MAX BAUCUS, A U.S. SENATOR FROM MONTANA, CHAIRMAN, COMMITTEE ON FINANCE

The CHAIRMAN. The committee will come to order.

The English philosopher Sir Francis Bacon once said, "A wise man will make more opportunities than he finds." By that standard, the United States has been very wise in crafting a significant trade agenda that provides many new opportunities for our Nation. We must now be aggressive, seize these opportunities, and create more than we find.

An aggressive trade agenda is key to boosting our Nation's economy and creating good-paying jobs in my home State of Montana, and all across America. Export-related jobs pay 13 to 18 percent more than the national average. These are good-paying jobs in factories and farms all across America.

By being aggressive, we can build on the success achieved in the 112th Congress. Working together, we passed three free trade agreements with Colombia, Panama, and South Korea; we extended the Trade Adjustment Assistance program; we renewed 3 important preference programs; and we helped United States exporters take advantage of Russia joining the WTO.

By working together, we can achieve similar successes now in the 113th Congress. We can ensure that U.S. businesses, workers, farmers, and ranchers reap the benefits of expanded trade through the many promising opportunities now under way.

These opportunities include the Trans-Pacific Partnership in Asia and the Trans-Atlantic Trade and Investment Partnership in

Europe. They also include a new services agreement and expansion of free trade in information technology.

Given this ambitious agenda, the need for Trade Promotion Authority is clear. TPA is a key negotiating tool that will help bring these trade agreements to a successful conclusion. It has been more than a decade since we renewed TPA, and the world has changed in that time. Since 2002, U.S. exports of goods and services have more than doubled. America now faces a new set of economic priorities and challenges. The new TPA should reflect these realities.

I am pleased that the administration has indicated its interest in working with Congress to get TPA done. Working together, we will pass this important trade legislation.

While we are expanding markets abroad, a competitive American workforce must be ready to help U.S. companies seize these opportunities. Since 1974, Trade Adjustment Assistance, or TAA, has been the foundation for expanding trade.

TAA has helped thousands of American workers, small businesses, farmers, and ranchers improve their competitiveness in the global market. Since 2009, approximately 800 workers at nearly 40 companies in Montana have been approved to receive TAA benefits; nationally, more than 400,000 American workers have been approved for benefits.

These are not statistics. We are talking about mothers and fathers with families to support. TAA gives these folks the skills and support they need to get ahead in today's job market. TAA helps them land the good-paying jobs they deserve, and, when they land that job, they often excel and they succeed. In fact, 90 percent are still employed 6 months later.

TPA and TAA are two sides of the same coin: making trade work. We need to renew and extend both of them this year. Looking at opportunities across the Atlantic, I see the European Union, our largest trading partner. Today, 21 percent of U.S. goods and services exports go to the E.U., supporting nearly 13 million American jobs. If we are aggressive, we can achieve much more. By simply eliminating tariffs, U.S. exports to the E.U. could increase by 17 percent, generating even greater economic growth and more jobs here at home.

To tap into the opportunities of an E.U. agreement, we must first overcome some serious challenges. These include access for U.S. agricultural exports such as beef and pork, and elimination of non-science-based regulations. Unscientific and unfair barriers to U.S. agricultural products put U.S. jobs at risk.

In Montana, 50 percent of our economy is tied to agriculture. One in five Montana jobs is connected to ranching and farming. I know America's ranchers and farmers produce the highest quality products in the world, and that is why I will only support a trade deal with the E.U. if it gives America's producers the opportunity to compete in the world's biggest market.

Looking at opportunities across the Pacific, I see Asia's fast-growing economies. The Trans-Pacific Partnership, or TPP, will strengthen our ties with some of the world's most vibrant economies and burgeoning consumer markets.

Over the past decade, U.S. exports to TPP countries nearly doubled, to almost \$700 billion in the year 2011. Asia's share of world

imports grew from more than 18 percent in 1983 to almost 31 percent in 2011. The TPP countries' average GDP growth was more than 2 percentage points higher than the U.S. in 2010. With Japan's recent announcement of its desire to join the negotiations, the TPP could soon account for nearly 40 percent of the world's GDP.

I was in Japan this past summer and met with former Prime Minister Noda and other leaders in an effort to strengthen trade ties. I am glad to see Japan is now interested in coming to the negotiating table on TPP. I look forward to working with the USTR to ensure Japan meets the high-level standards of this agreement.

Japan's inclusion would enhance the remarkable opportunity presented by the TPP to open a huge market to our world-class exports. I am hopeful we can build on the progress we recently made when Japan began accepting more U.S. beef exports. Now we must make every effort to conclude the TPP this year.

While China is not part of the TPP negotiations, trade with the world's second-largest economy also presents opportunities as well as challenges. I was encouraged to hear China's new Premier, Li Keqiang, recently say his government is committed to strong relations with the United States and sees a strong outlook for trade and investment between our two countries.

The U.S.-China relationship should be mutually beneficial, but for this to happen China must play by the rules. I continue to be concerned that China's currency manipulation costs U.S. jobs, and so does China's failure to end the wholesale theft of U.S. patents, copyrights, trademarks, and trade secrets. China has pioneered a practice, now copied by India and others, of requiring U.S. companies to transfer technology to domestic companies in order to gain access to its market.

We need to be on the offense and fight these unfair practices. We need to enforce existing agreements and develop novel approaches and new agreements. We need to work with like-minded countries to push back against the theft of intellectual property.

At the end of the day, America's trade agenda is about one simple goal: jobs. At a time when job creation must be our number-one priority, a strong, aggressive trade agenda is one of the most powerful tools we have to put more Americans to work. The opportunities are laid out before us. America must now take action, seize the opportunities, and, as Sir Francis Bacon said, make more than we find.

[The prepared statement of Chairman Baucus appears in the appendix.]

The CHAIRMAN. Senator Hatch?

**OPENING STATEMENT OF HON. ORRIN G. HATCH,
A U.S. SENATOR FROM UTAH**

Senator HATCH. Well, thank you, Mr. Chairman, for holding today's hearing. I am sure you will agree, congressional oversight is critical to ensuring transparency and, I might add, accountability in the executive branch, so I appreciate this opportunity to chat with the administration in a public forum about their trade agenda.

Now, international trade is critical to our economy. Trade supports more than 38 million jobs in the United States, but we can

do better. Ninety-five percent of the world's customers live outside the United States, and they account for 92 percent of global economic growth and 80 percent of the world's purchasing power.

If we are going to access these customers, we need an aggressive trade policy and the tools to help put that policy in place. Our record of bipartisan cooperation on trade is strong. During the last Congress, we worked together to pass seven trade bills, including our long-stalled free trade agreements with Colombia, Panama, and South Korea.

We also worked closely together to develop legislation to grant permanent normal trade relations for Russia while holding Russia accountable for its actions. I am hopeful that we will be able to look back on a similar record of success at the end of the 113th Congress.

There certainly is reason for hope. The administration is forging ahead to complete negotiations for a Trans-Pacific Partnership agreement this year. They also recently announced their intention to launch negotiations with the European Union on a comprehensive trade agreement.

Furthermore, expansion of the information technology agreement, which would lower taxes and tariffs on information technology projects to zero, and of course conclusion of an agreement on trade facilitation, also hold great promise. Conclusion of an international services agreement could also expand opportunities for U.S. workers and job creators. The United States is a dynamic service provider. Unfortunately, to date U.S. exports of services have not even come close to reaching their full potential. This agreement could increase trade and services by another \$600 billion per year. These are all ambitious undertakings and, if successful, they will make a major contribution to U.S. economic growth.

Our future does indeed look bright, but there are also a few significant storm clouds on the horizon. Many of the toughest parts of the Trans-Pacific Partnership negotiation have yet to be resolved, including market access for dairy, sugar, and textiles.

The administration is still contemplating including product-specific carve-outs within the agreement, a dangerous proposal that could be used as a precedent to exclude other products from coverage in this and future agreements, thereby diluting their commercial benefits. Such an irresponsible proposal threatens to undermine decades of U.S. trade policy for no discernible purpose I can see. The administration's trade policies with regard to patent protection remain vague, particularly with respect to the term of protection for biologics. How these issues are resolved will go a long way towards determining whether I and my colleagues will be able to support the final TPP agreement.

Additionally, while a potential E.U. agreement holds much promise, it must be comprehensive, result in real regulatory harmonization, and reflect the highest standards of intellectual property rights protection if it is to gain the strong support of Congress. Now, our past negotiations with the European Union have shown just how difficult this task can be. Let us hope that we can get it done this time. President Obama will make two key decisions in the near future which will help determine the success or failure of his trade agenda.

First, the President must nominate someone to serve as the U.S. Trade Representative who has the trade expertise, political savvy, and leadership skills necessary to effectively lead the agency. Today, morale at USTR is at an all-time low. Ill-conceived proposals by this administration that have the agency subsumed into the Department of Commerce reveal a complete lack of understanding regarding both the structure and the purpose of the agency.

Sadly, rumors persist that the President may nominate as his next trade representative the chief architect of this proposal to end USTR as we know it. I hope he does not do that, but we will deal with whatever happens. I certainly hope that is not the case.

Following through with this proposal would send a very negative signal to both our career negotiators and our negotiating partners. If the United States is to be taken seriously on trade policy around the world, we need a real leader at USTR who understands the agency and is capable of navigating the difficult shores of international trade negotiations.

Second, the President needs to work with Congress to renew Trade Promotion Authority. Almost 1 year ago to the day, Ambassador Kirk testified before this committee that USTR would engage with Congress on the steps needed to implement a new Trade Promotion Authority. Now, despite my offer to begin negotiations that very day, no steps have been taken by this administration to engage Congress on Trade Promotion Authority: no meetings, no discussions, no exchange of ideas, nothing.

Now, the President's 2013 trade policy agenda says the President will work with Congress on Trade Promotion Authority. I take this promise as a sign of progress, but we have already wasted 4 years. TPA could have been done a long time ago, and we cannot afford to waste any more time.

I cannot imagine any President not wanting that authority, because it makes it easier to do these agreements. TPA could have been done a long time ago. We cannot afford to waste any more time. There is much work to be done for this ambitious trade agenda to succeed. Launching negotiations is one thing; closing high-standard agreements that the Congress will support and pass is a completely different undertaking.

I hope this President and this administration are up to the task. Ambassador Marantis, I look forward to your testimony today. I have high regard for you, and I think you have done a good job down there. I look forward to working with you and the next U.S. Trade Representative to advance our stated goals of opening foreign markets, enforcing our trade laws, and creating even greater economic opportunities for this and future generations.

You would make a good U.S. Trade Representative yourself, because you are one of those people who has an open mind who is really trying to do the best job that you can. Frankly, I do not want to ruin your opportunities by saying nice things about you, but we all have respect for you, and you have worked well with this committee in the past and have worked well ever since you have been down there. So we are very grateful to have good people like you willing to give your time and serve our country, and to give service, especially service that all of us up here hopefully can support.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator.

[The prepared statement of Senator Hatch appears in the appendix.]

The CHAIRMAN. In the interest of balancing things out, I will say nice things about Ambassador Marantis too. [Laughter.]

Senator HATCH. Well, I am glad to hear that.

The CHAIRMAN. I hope that neither of us complicates matters.

I would now like to introduce our Acting U.S. Trade Representative, Demetrios Marantis. Ambassador Marantis, welcome back to the Finance Committee. You are no stranger here by any stretch of the imagination, serving as the committee's Chief Trade Counsel very, very admirably. We made a lot of things happen. You are very, very good.

It is always a pleasure to have you before us, so we are looking very much forward to your testimony. You know the rules. Say what you want to say, do not pull any punches, and your statement will be automatically included in the record.

Please proceed.

Senator HATCH. With all these good comments, I hope you do not screw up now. [Laughter.]

STATEMENT OF HON. DEMETRIOS MARANTIS, ACTING U.S. TRADE REPRESENTATIVE, EXECUTIVE OFFICE OF THE PRESIDENT, WASHINGTON, DC

Ambassador MARANTIS. Thank you very much, Chairman Baucus and Senator Hatch, and thanks to this committee. It is great to be back.

[Interruption by protestor.]

Ambassador MARANTIS. We are now 3 years—

[Interruption by protestor.]

The CHAIRMAN. Ma'am? Ma'am? We are going to have to have an orderly hearing here now. If you do not—

[Interruption by protestor.]

The CHAIRMAN [continuing]. Desist, or we are going to have to take extraordinary actions.

[Interruption by protestor.]

The CHAIRMAN. The committee will be in order. Comments from the audience are inappropriate and out of order.

[Interruption by protestor.]

The CHAIRMAN. Any further disruption will cause the committee to recess until the police can restore order.

[Interruption by protestor.]

The CHAIRMAN. I am sorry, ma'am. The hearing is now in recess, and we will proceed when we are able to proceed without disruptions. The committee is in recess until we can proceed without disruptions.

[Whereupon, at 10:51 a.m., the hearing was recessed, reconvening at 10:52 a.m.]

The CHAIRMAN. The committee will come to order. Ambassador Marantis, will you proceed?

Ambassador MARANTIS. Thank you again, Chairman Baucus.

The CHAIRMAN. Why don't you proceed from the very beginning?

Ambassador MARANTIS. All right. Thank you. Thank you to both of you and to this committee. It is a real honor for me to be back here.

We are now 3 years into President Obama's National Export Initiative. Since 2009, increased U.S. exports have supported 1.3 million additional American jobs. Last year, U.S. exports overcame slackening global demand and a devastating drought to reach record highs. Since 2009, manufacturing exports are up 47 percent, agricultural exports are up 44 percent, and services exports are up 24 percent.

President Obama's trade agenda for 2013 calls for continued progress and bold steps. It will support greater economic growth and jobs for more Americans, and bipartisan cooperation between Congress and this administration will remain critical to its success.

Together, we can secure job-supporting opportunities for U.S. farmers, ranchers, businesses, workers, manufacturers, and service providers. So in 2013, the administration will continue to consult closely with you on U.S. trade negotiating objectives and on holding our trading partners accountable for their commitments.

USTR's current work builds on many efforts that became successful with your guidance and with your help. We are intensifying Trans-Pacific Partnership negotiations to secure a next-generation high-standard trade agreement in the world's fastest-growing region.

As President Obama announced in his State of the Union address, we are preparing to begin negotiations to further strengthen the world's largest trade relationship through a Trans-Atlantic Trade and Investment Partnership with the European Union.

In Geneva, we will soon begin negotiations regarding global trade in services, a sector where U.S. providers are highly competitive. At the WTO, we are advancing promising pathways for trade liberalization. These include trade facilitation and the information technology agreement.

In support of our market-opening efforts, we look forward to beginning work with you on Trade Promotion Authority. This year we will seek to improve the effectiveness of U.S. trade preference programs and to ensure that U.S. businesses and workers benefit fully from the commitments of new WTO partners. We will address the expiration of Trade Adjustment Assistance this year, keeping our own commitment to Americans in trade-impacted industries and connecting them and other displaced workers with employment services.

Your support for President Obama's focus on trade enforcement is already ensuring that more Americans reap all of the benefits of U.S. trade agreements in the WTO and around the world. In conjunction with USTR's Office of the General Counsel, the Inter-agency Trade Enforcement Center will continue to play a critical role in trade enforcement efforts. Since its inception, the ITEC has already helped to advance multiple enforcement actions and investigations.

As we continue our market-opening and enforcement efforts, USTR will uphold this administration's commitment to be responsive to American interests and American concerns. We will base trade policy on diverse American perspectives with a goal of sup-

porting American jobs. In particular, we will continue to maintain open channels of communication and receive constructive public feedback on all trade negotiations.

Working with you, this administration intends to seek high-standard trade and investment opportunities around the world. We intend to enforce our trade agreements to preserve and support additional U.S. jobs, and we intend to reflect and uphold American values in trade policy.

However, it is important to note that continued budget cuts and resource constraints can significantly compromise USTR's capabilities. Already we face the possibility that the sequester alone will hamper our ability to conduct trade negotiations and other market-opening efforts, as well as new enforcement disputes.

In the continuing resolution that is currently moving through Congress, USTR's budget would be cut by an additional \$1 million on top of the \$2.6 million sequester. A further \$1-million hit could undermine USTR's ability to conduct multiple trade negotiations simultaneously, as well as severely compromise enforcement.

I thank this committee for your thoughtful consideration of critical trade issues and your continued support for an ambitious agenda. Working together, we can ensure that our trade policy continues to support jobs and opportunities for all Americans.

The CHAIRMAN. Thank you, Ambassador Marantis.

[The prepared statement of Ambassador Marantis appears in the appendix.]

The CHAIRMAN. I would like you to talk to us a little bit about Trade Promotion Authority. I mean, it has lapsed, as you know. If we are going to conclude meaningful trade agreements, whether it is the E.U. or TPP, we are going to have to renew Trade Promotion Authority. There is some concern that maybe the administration is a little lax, a little slow in engaging Congress on TPA.

I wonder if you could tell us the degree to which the administration is engaged—I hope fully, totally engaged—and also if you can begin to address some of the issues that are going to come up in Trade Promotion Authority, like localization perhaps, or state-owned enterprises; there are a lot of factors. The world has changed a lot, even since 2007. So, if you could touch on those, I would surely appreciate it.

Ambassador MARANTIS. Sure, Senator. We have heard the calls—the strong calls—of you, of Senator Hatch, this committee, and others in Congress, to move forward with Trade Promotion Authority. It is in our mutual interests to use TPA as a tool to support a job-focused trade agenda.

I can tell you that we are ready to begin our work with you on TPA and to talk about the very issues, Senator, that you raised: what our trade negotiating objectives should look like, the extent to which we are addressing emerging challenges in the global economy like forced localization, and ensuring that private-sector companies compete on a level playing field with state-owned enterprises. So we are ready to begin our work with you.

The CHAIRMAN. Do you have any thoughts, more precise thoughts? Several years ago we extended TPA, and we worked out an agreement with the House trade leadership, bipartisan, on labor standards, environmental standards, and investment provisions, I

think, were in there, too. There are some who perhaps want to weaken, some who want to strengthen.

As I said, the world has changed a lot since 2007. You gave a general answer, but, if you could just be a little more precise and give us a little more guidance as to what the administration is now thinking, that would help.

Ambassador MARANTIS. Sure, Senator. There are a diversity of interests on this committee and elsewhere on what our trade negotiating objectives under TPA should look like. It is a conversation that we need to have together, and we are ready to begin having that conversation with you now.

The CHAIRMAN. I was a little bit surprised, and I guess I should have known, when you said your budget was cut \$1 million in addition to the sequester cuts. Why? What did we do? What are we doing to you? What account is being cut that results in that extra \$1-million cut?

Ambassador MARANTIS. Senator, as you know, USTR's budget is travel and people. We, over the past few years, have aggressively managed our budget. That, in part, has helped to blunt—in part—the effect of the sequester.

As you and Senator Hatch pointed out in your opening statements, we have a lot of stuff going on right now. We have TPP; we are about to launch negotiations with Europe; we have negotiations on an international services agreement; we have a vigorous enforcement agenda.

The sequester cuts, in addition to what is in the CR, the \$1-million cut in the CR, can significantly hamper these and other efforts to support American jobs by opening global markets. Every dollar counts. One million dollars means a lot to USTR. We are a very lean agency. We are used to doing more with less, but there is no fat to cut. We are now at the bone.

The CHAIRMAN. Could you give us a sense of the degree to which other countries support and have resources for their trade department, whatever it might be, on a proportionate basis? Is it about equal proportionately, or do other countries have a lot more firepower—although they are not any smarter, they have a lot more firepower than we?

Ambassador MARANTIS. I mean, Senator, I could say anecdotally, whenever we travel, USTR is the lean and mean machine that has very few people who will go on negotiations. We are able to do more with less, I think particularly in comparison with our trading partners. That is why the sequester cuts and the contemplated cut in the CR are of real concern to us.

The CHAIRMAN. I just recall back 30 years ago on this committee when Chairman Russell Long was noticing how we do not, as Americans, support our trade team as much as other countries support theirs.

I think it is partly—let us take Canada, for example. On a proportionate basis back then, trade was much more important to Canada than it was the United States. Now that has changed a little bit, but not enough.

It is my impression that many countries devote many more precise resources to trade and negotiating trade agreements than does the United States. We are kind of lax about it; we are a little cas-

ual about it. We work hard, but the country itself—I am not talking about the agency, but the country itself, our country—does not have the same intensity in getting good trade agreements as is the intensity in many other countries. I would just say to you, good luck with what you are doing, and we will try to help you out. You need help, frankly, on the resource level.

Senator Hatch?

Senator HATCH. I agree with the chairman on that last point.

Ambassador Marantis, the 21st-century economy is increasingly knowledge-driven, as you know. The U.S. bio-pharmaceutical industry is the poster child for this 21st-century economy, and to maintain our Nation's competitiveness as a leading innovator of bio-pharmaceuticals, Congress approved legislation providing for a 12-year regulatory data protection for biologics. That was a hard-fought battle. It was a bipartisan decision by Congress. I would have preferred it to be a little bit longer, others thought it should be shorter, but it was a very, very hard-fought battle. President Obama signed this into law, and I am perplexed by the Obama administration's refusal to commit to seeking 12 years of regulatory data protection for biologics in the TPP negotiations.

Now, the administration insists that USTR is proceeding with the TPP negotiations "as if you had" TPA. The most recent version of the TPA from the 2002 Trade Act included substantive trade negotiation objectives. In the case of intellectual property rights, the TPA objective is clearly spelled out: to obtain a standard of protection similar to that found in U.S. law.

Current U.S. law regarding data protection for biologics is clear: the period of regulatory data protection is 12 years. Now, when will you instruct your trade negotiators to work towards attaining 12 years of regulatory data protection for biologics in the TPP, consistent with the law of our country?

Ambassador MARANTIS. Thank you, Senator Hatch. We agree strongly with you that biologics is a vital area of pharmaceutical innovation. This is a tough issue in the context of the TPP, and we have not yet made a decision about how we are going to proceed. We have been discussing this with our trading partners, we have been discussing it with you and with members of this committee, and we have not yet made a decision. We know that there is a very strong view on your part and on others on 12 years, but we are still reflecting upon how to best proceed.

Senator HATCH. I am the author of the Hatch-Waxman Act, and I take a tremendous interest in all of these very technical, but difficult issues. How is your decision, which appears to me to ignore U.S. law, consistent with negotiating "as if"? You had the last iteration of TPA that requires you to pursue U.S. law with respect to IPR. Are you trying to change U.S. law in biologics through international trade negotiations? I hope that is not true.

Ambassador MARANTIS. Senator, everything that we will do and that we do in any of our trade agreements is fully consistent with U.S. law. Again, the biologics issue is a challenge. We are trying to look and seek the appropriate balance between specificity and flexibility. I would appreciate your views and the views of this committee on how we can best strike that balance.

Senator HATCH. Well, we want to keep that world leadership going, and this will help us to do it.

Now, after Prime Minister Abe and President Obama met in February, they issued a joint leaders' statement regarding Japan's possible participation in the TPP. I was concerned in reading that statement that "both countries have bilateral trade sensitivities, such as certain agricultural products for Japan and certain manufactured products for the United States."

Now, I do not recall a U.S. President ever declaring U.S. trade sensitivities in a leader's statement. Doing so seems to imply that there is some form of equivalence between Japan, which has wholly excluded agriculture from any of its trade agreements, and the United States, which negotiates the highest standard trade agreements with the broadest market access coverage.

If this statement reflects the standards for Japan in the TPP, it threatens to dilute the benefits of the entire agreement as other countries seek to carve out as many sensitivities as they can.

Now, did the administration intend to signal equivalence between Japan's sensitivities and our own? What specific manufacturing sensitivities was the President referring to in the statement, and are they in any way equivalent to Japan's agriculture sensitivities? How do you intend to maintain the highest level of ambition for the TPP should Japan join?

Ambassador MARANTIS. Senator, let me assure you that we are 100-percent committed to negotiating the highest standard 21st-century agreement in the context of TPP. In that joint statement that the President and Prime Minister Abe released, the statement made it very clear that, should Japan join the TPP, it will commit to this goal of seeking the highest-standard, comprehensive agreement, consistent with the goals that TPP leaders set out in November 2011.

That includes putting all goods on the table, so we are currently working, as you know, with Japan to ensure that, should it join, it will be capable of meeting the highest standards possible. We have our own sensitivities, as we have set out, as that joint statement sets out, and we have issues of concern with Japan in the area of autos, insurance, and others that we are still working on.

Senator HATCH. Mr. Chairman, I would just like to note that I was pleased with your testimony that you "look forward to beginning our work with you on Trade Promotion Authority." I just want to know when that work is going to start. If you could let us know that, it would go a long way towards helping me to understand this.

Ambassador MARANTIS. Senator, we stand ready to begin. I mean, this is a huge priority of yours. We have heard your calls on this issue loud and clear, and we are ready to begin our work.

Senator HATCH. Thank you, sir.

The CHAIRMAN. Thank you, Senator.

Senator Stabenow?

Senator STABENOW. Well, thank you very much, Mr. Chairman. First, I want to thank you for your words and your continued support of TAA as well, as part of the important balance for workers in this country. I want to follow up, Mr. Ambassador, as it relates

to Japan, and I know you understand the concerns that I have and many other members of this committee have.

There is a letter that has been sent to the administration, signed by Senator Brown and I, Senator Schumer, Senator Casey, that relates to Japan. Let me just start by saying that 30 percent of the economic growth of our country last year in 2012 was auto sales. It is a big deal for us, the American automobile industry.

Today, I do not know if you are aware of the numbers, but there are 120 vehicles sold into the United States for every one that we can get into Japan. This has actually been going on since the 1930s. So, when we look at the history, I mean, in the 1930s Japan sought to build a protectionist auto industry that would drive their export-led growth agenda, which they did. It was impossible for us to get into their markets.

Since then, even though they removed virtually all of their auto tariffs in the 1970s, we have gone on to see a non-existent market, to be unable to get into Japan. President Reagan tried to fix it in the 1980s; President Clinton tried to fix it in the 1990s. It is still there.

It is still happening today with no confidence at all that it will end, given what they are doing on currency manipulation. In talking to one of our major CEOs yesterday, he indicated that it is as much as \$2,500 added to the price of a vehicle, which is a big deal in terms of an unfair competitive advantage. So I would ask, as we look at Japan, why in the world would we believe at this point that this would be any different?

Ambassador MARANTIS. Senator, thank you for raising this issue. We received your letter, and we share the concerns that you raised in the letter. We have a long history with Japan on automotive issues. It is of serious concern to the President, and we are working very hard to ensure that, should Japan join the TPP, we are able to address the long-standing issues that we have had in the auto sector. We have made progress with Japan, but our work continues.

Senator STABENOW. But it has been 80 years. I appreciate very much the reasons, strategic reasons, for wanting to include Japan, but we cannot allow them to have more access to our market without also having access to their market in the major area in which they export to us, which is automobiles. This is very serious. It is the number-one issue that our American automobile industry is concerned about.

Together with the administration, we have done very important work to make sure that tough decisions were made, sacrifices were made, to get them back on their feet. This could undermine all of that, so I cannot stress strongly enough the concerns that I have and that others have as well.

Let me finally ask you, related to currency manipulation, we have recent reports that indicate Japan continues to be intent on further weakening the value of the yen in an attempt to boost its economic growth. As you go forward with TPP negotiations, do you believe there is a need for clear, enforceable objectives to address currency manipulation in the future? How is it that we recognize trade-distorting effects of currency manipulation and yet are doing

nothing at this point to address what is a clear, unfair trade advantage?

Ambassador MARANTIS. Thank you, Senator. On exchange rate issues, the Treasury Department has the lead, but we are giving careful consideration to the potential benefits and the potential risks of addressing currency as one of our trade negotiating objectives in ongoing negotiations. We know that this is an issue of deep concern to you and to others on this committee, and we will continue to consult closely with you.

Senator STABENOW. Mr. Chairman, thank you. I just want to indicate for the record that, unless we see changes on currency manipulation and efforts and benchmarks to Japan opening their markets, I cannot imagine why we would want to proceed with a 1-sided agreement as it relates to American manufacturing in the automobile industry. So, I look forward to working with the chairman on this.

The CHAIRMAN. Thank you, Senator Stabenow.

Senator Isakson?

Senator ISAKSON. Thank you, Mr. Chairman.

Ambassador Marantis, thank you for your call last week. I enjoyed discussing trade policy with you and appreciate the good job that you have done.

In your prepared statement you addressed the African Growth and Opportunity Act (AGOA). Africa has been a great potential conduit for U.S. business and trade development over the years. Last year, we were late—in fact, we went to the last minute—on the third-party fabric agreement before we finally extended it at the end of the year. Because of supply chain issues, that disrupted a lot of business between Africa and the United States.

A working group of members of the House and Senate has been formed to promote the extension of AGOA when it comes up for renewal before 2015. We need all the help we can get to not wait until the last minute like we did on the third-party fabric agreement. Can you discuss that for just one second?

Ambassador MARANTIS. Yes, Senator. Thank you very much for your leadership on this issue, and thank you to this committee for acting to renew third-country fabric last summer. I agree with everything you said, Senator. AGOA expires in 2015, and we are strongly supportive of the seamless renewal of AGOA.

That means we need to begin our work now so that we do not end up in a situation where there is a potential lapse in AGOA or where we go so far to the end before its expiration that orders dry up and trade is disrupted. We look forward to working very closely with you, with the new working group, and with this committee to do that, and we are beginning to formulate our ideas on AGOA and look forward to talking to you about them.

Senator ISAKSON. I appreciate your attention to that. While we are on Africa, the East African Community Trade and Investment Partnership. Can you talk about the progress of that agreement?

Ambassador MARANTIS. Sure, Senator. This is another very exciting new initiative that we are pursuing at USTR. The East African Community is a leader in Africa in terms of promoting regional integration among the five members: Rwanda, Burundi, Kenya, Tanzania, and Uganda.

We have launched a trade and investment partnership designed to do a couple of things. One is to negotiate a regional investment treaty which will help to provide high-standard investment protections. Second, we want to negotiate a trade facilitation agreement to work through many of the bottlenecks that inhibit trade in the region. Third, we want to work with the EAC on helping to enhance technical capacity-building so that they are able to do the kinds of things that we are hopeful to do with them. Fourth, we have launched a commercial dialogue between the private sectors in the U.S. and the EAC. So it is an exciting new initiative that could potentially serve as a model for how we approach other regional economic communities in Africa.

Senator ISAKSON. Thank you.

In your release last week regarding negotiations with Japan in the Trans-Pacific Partnership, you specifically mentioned 2 non-tariff issues: automotive and insurance. Can you tell me how you are planning to address the level playing field issue and concerns expressed by U.S. industry in this regard?

Ambassador MARANTIS. Sure, Senator. This is another longstanding issue we have had with Japan, which is seeking a level playing field in the insurance sector. The Japanese government is well-aware that this is a concern of ours, and we are working with them, as we are working with them on autos, to address these issues before we are able to feel comfortable that Japan is ready to meet the high standards of the TPP agreement.

Senator ISAKSON. Thank you very much for that.

My last question. I had the occasion this weekend at a St. Patrick's Day celebration in Atlanta to end up having breakfast with Eamon Gilmore, who is the foreign minister of Ireland, who is also in his last 2 months as head of the European Union, so it was a propitious time to ask some questions regarding trade with the European Union.

I brought up the issue of genetically modified organisms, which are used sometimes by some European countries as a negative towards agricultural products from the State of Montana, the chairman's State, and the State of Georgia, here, which is a big issue for our State.

Do you have any indications of what kind of flexibility some of those countries that have used GMOs as a trade issue might have in making an agreement with the United States?

Ambassador MARANTIS. Senator Isakson, we are well-aware of these issues. The issue we have had, I think, with some of the E.U. member states has to do with approval of bio-tech products. We are working with the E.U. Commission and the member states to help speed up approval so there is not a backlog.

Senator ISAKSON. Thank you very much.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator.

Senator Cardin?

Senator CARDIN. Thank you, Mr. Chairman.

Ambassador Marantis, first of all, thank you for your service. We appreciate it very much. We know that you have some challenges.

I want to talk a little bit about TPP. The initiative there involves countries that are substantially different trying to come together

with a common agreement. I know also there is interest in that Japan may want to join, which would also, I think, make for challenges, some additional challenges, in bringing together an agreement.

I want to get your assurances of reaching out to the stakeholders. I will just give you one example, and there are many, many more, in regards to the rule of origin and suit manufacturers in my State of Maryland and in the Nation. They are very concerned about rule of origin issues.

I want to make sure that, as you go through the discussions, there is an effective way to get input from the industries here in the United States to avoid a problem that could very much make it more difficult to have a successful conclusion, either of TPA or as it relates to the TPP discussions.

Can I get those assurances that you will be working very closely with those industries, particularly on the rule of origin issue?

Ambassador MARANTIS. Senator, absolutely. Our whole goal in negotiating the TPP, as in all other trade agreements, is to create and support as many jobs as possible. We need, vitally, input from stakeholders in all sectors to ensure that we are doing just that, so I can commit to you 100 percent that we will do so.

Senator CARDIN. Thank you.

Suit manufacturing is challenged in this country in a lot of different ways. We are trying to get the wool trust fund resolved. There are a lot of different issues, and the rule of origin in regards to the Asian countries is a critically important matter. I appreciate your willingness to work with us.

I know the chairman has talked about TPA, Trade Promotion Authority. I just really want to at least put down a marker. I have always been surprised that there has been a reluctance to allow our negotiators to negotiate in areas where the United States' standards are much higher than in the international community.

I understand the challenges of getting meaningful progress made in those areas, but why would we want to hamper your ability to negotiate in areas where the United States is a clear winner? The chairman mentioned environment and labor standards, where our standards are much higher than the countries that we are dealing with.

So I would hope as we work, Mr. Chairman, through the Trade Promotion Authority, that we look at ways of giving additional leverage to our negotiators to be able to deal in areas where we think it is in our competitive advantage to have international standards. I would urge also—I know this is not even in the jurisdiction of this committee—addressing currency issues.

We are finding more countries that are involved in currency manipulation. I do not know how that works into these discussions, but I would be very interested to know how we can make progress in that regard as we look at giving trade authority to the administration.

The chairman at one time mentioned cyber-security issues and IT. These are all issues that are, I think, important. I know not everything can get done in one agreement. I am not suggesting that. But I would wonder how we can make progress in these areas as

we look towards multinational trade agreements and giving the administration Trade Promotion Authority.

So I would like your creative help as we consider TPA, for those of us who would be willing to support TPA under the right conditions. How can we satisfy Congress about giving up its specific authority, as we do in TPA, in areas where it makes sense for us to get progress, where the United States needs more competitive circumstances internationally?

Ambassador MARANTIS. Thanks, Senator Cardin. Again, everything that we do is with the singular goal of using our trade agreements to create and support jobs and the trade negotiating objectives that we consult with you on, whether it is in the context of TPP, whether it is in the context of launching the agreement with the European Union, or in TPA. That conversation on the range of trade negotiating objectives is something that we take very seriously, and we want to make sure that we get it right.

Senator CARDIN. I just want you to be bolder in those trade objectives. Think about where the United States could use a level playing field; be more aggressive.

Ambassador MARANTIS. And we will do so. I mean, you point out a very important area, Senator. You mentioned, and we talked about it the other day, with respect to cyber issues and the issue of the misappropriation of trade secrets, it is a new and emerging issue. And we are being very aggressive in how we are trying to handle this issue in the context of TPP, in the context of our annual Special 301 review, and in the context of our bilateral investment treaties.

So I agree with you, we need to take every opportunity we can to tackle new challenges in ways that help to promote our competitiveness and address problems that we see with our trading partners.

Senator CARDIN. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Cardin. I might say, this committee also has jurisdiction over currency.

Senator CARDIN. We do?

The CHAIRMAN. Yes. We just assert it. We also have had jurisdiction with respect to currency in past years.

Senator CARDIN. I appreciate that correction.

The CHAIRMAN. In addition to another committee. There is co-jurisdiction. Thank you.

Senator Brown?

Senator BROWN. Thank you, Mr. Chairman.

Ambassador, thank you for your testimony. I appreciate the focus on exports. I have heard Presidents of both parties over the last 2 decades always talk about progress in exports, but sometimes we do not give enough focus to imports.

It is a little bit like reporting on a baseball game where the Cleveland Indians scored 8 runs. Well, great, except the White Sox scored 11. So, it is good to really look at both of those, and the emphasis rarely is on the second of those.

I raise that especially because, since NAFTA and especially since the year 2000, we have dug ourselves a trade deficit hole. We all talk around here about closing the budget deficit. We do not put

nearly the focus and the attention on the deep trade deficit and how it is a drag on our growth and how it deserves attention.

The best example is, last week marked the first anniversary of the Korea Free Trade Agreement. Exports are up, as you say, but imports are up even more. Imported cars are up almost \$2 billion from the year before the FTA with Korea. Hence the caution of Senator Stabenow and others in our letter from Congressman Levin that we wrote on Japan, not to refuse to talk to Japan or that they not enter into the Trans-Pacific Partnership, but that we pay special attention to what that can mean. Again, with Korea, the overall deficit with Korea grew in 2012.

I know the administration and several of my colleagues want fast track. I look at any new trade initiatives, from fast track, to TPP, to U.S.-E.U., to what happens with Russian PNTR, which I supported, with these two questions: (1) how do we rebalance trade in looking at our trade deficit; and (2) how does it ensure that the benefits of trade are shared more broadly than they have been in the past?

We know trade creates wealth, we know trade has significant winners. We just need to make sure, whether it is Montana, Maryland, Kansas, or Utah, that these benefits be distributed a little bit more widely to working-class families.

So my question is this: how will fast track address this trade imbalance? Not just exports, but how will it address our trade imbalance? Honestly, what will be different this time from every other time an administration has come in front of this committee and said we need fast track, because trade has so many winners and so often ignores who does not win?

Ambassador MARANTIS. Senator, thanks for raising that issue. It is an interesting issue, and I agree with you that it is oftentimes overlooked. It is very easy to calibrate the amount of jobs we create through exports: 5,200 jobs are created with a billion dollars of goods exports. But the case with imports is a lot less clear. Over 50 percent of imports are used in the United States as intermediary products, and they are inputs that go into Made in America goods that are sold either here or are re-exported. But there are distortions—

Senator BROWN. Just a second. Let me interrupt, and I apologize. Is 5,200 jobs for \$1 billion in exports a number the administration uses?

Ambassador MARANTIS. Yes.

Senator BROWN. Do you use it the other way: if we have a trade imbalance, a trade deficit, that it is 5,200 times that many billion dollars of trade deficit?

Ambassador MARANTIS. No, because the picture with imports is not as clear-cut, because over 50 percent of the imports that come in are used here domestically or are used in goods that we then re-export, so there is not that same one-to-one correlation with imports as there is with exports.

But there are distortions in imports, Senator, and you are right to point that out. We are responding very aggressively to that, (1) by vigorously enforcing our trade remedy laws here, but also taking action against practices that skew the level playing field with respect to imports.

For example, we have recently taken a WTO case against China for using prohibited export subsidies with respect to their auto and auto parts exports. We have challenged the use of prohibited subsidies in the green energy sector, and we are doing a lot on the import side too. So this is obviously an issue that we need to work closely with you and the rest of the committee on, but we take it very seriously.

Senator BROWN. If I could ask one quick follow-up. Thank you for that. I appreciate, of course, the auto parts trade action, your relative aggressiveness as a USTR—ITC, Department of Commerce—on trade enforcement, but you are not aggressive enough but moving in that direction.

Let me follow up on that question, though. Are there particularly new negotiating objectives that the administration would seek so we do not repeat past fast track authorizations that failed to balance trade?

You have typically come in front of this committee, and the administration says, give the power of trade to us, meaning change the Senate rules on trade agreements in terms of passing them and give us all this authority to negotiate. Fine. What we want in return is maybe Trade Adjustment Assistance. Is there anything you are thinking of, new negotiation objectives the administration wants, so that we do not repeat those fast track authorizations that moved us away from trade balance instead of towards trade balance?

Ambassador MARANTIS. Senator, this is something that we are going to need to consult closely on with you and others on this committee as we determine what our trade negotiating objectives should be for Trade Promotion Authority. It is a conversation that we are ready to have and look forward to having with you and the rest of this committee.

The CHAIRMAN. Thank you, Senator.

Senator Roberts, you are next.

Senator ROBERTS. Thank you, Mr. Chairman. Thank you for bringing order to the committee. Mr. Ambassador, thank you for coming. Thank you for taking time out of your schedule to come up.

There is one area where this country leads the world in regards to exports. My question to you—and the answer, by the way, is “yes.” You can just nod your head.

Where this country leads the world is in the manufacturing of general aviation, business aviation aircraft. Would you agree that the export of business aviation aircraft is a significant contributor to our balance of trade? Just nod your head.

Ambassador MARANTIS. Senator, I am following your guidance and saying “yes.”

Senator ROBERTS. Thank you.

Why then does the administration on one hand acknowledge and promote this uniquely American product—business aviation aircraft and the over 1 million American jobs that are tied to this industry, 40,000 of which come from Wichita, KS, which is one of the homes of our President, or at least his mother—then on the other hand vilify and demonize this great American industry?

I am talking about the gatling gun approach during the campaign and now, referring to this industry as “fat cat corporate jets.” Boy, am I tired of hearing that.

We are not talking about Beyonce coming back to lip-synch the Star Spangled Banner. We are not talking about Tiger Woods; we are not talking about somebody in a pin-striped suit from Wall Street going to Paris. We are talking about several farmers and ranchers going together and getting a business aircraft so they can fly anywhere they want to fly to with regards to agriculture and what they are about, or some manufacturer in Kansas, or any State, doing the same thing, sharing the aircraft. I just think that we could do better rather than keeping up with the reference to “fat cat corporate jets.”

Can you at least assure me that you could—well, you are just about half a block away there from the White House. I know you meet with the President. You could just slip over and tell him to put Kansas in the bracket for the NCAA March Madness and also say, will you please quit using the name “fat cat corporate jets”? Would you do that for me?

Ambassador MARANTIS. Go Jayhawks! [Laughter.]

Senator ROBERTS. Well, actually it is Kansas State, but go ahead. [Laughter.]

Ambassador MARANTIS. Senator, we strongly support aerospace exports, our aerospace workers. We have done a lot, from negotiating tariff reductions in this area as part of our trade agreements, to the largest trade enforcement case we ever brought against the E.U. on airbus subsidies. We take this very seriously and want to ensure that what we are doing for the aerospace industry helps to—

Senator ROBERTS. I know you are doing a good job. I just want the President to knock it off.

Ambassador MARANTIS. I will carry that message back.

Senator ROBERTS. Thank you.

Agriculture. It is always the engine or the caboose. Chairman Baucus and our distinguished ranking member both understand the value of agriculture. We are either the caboose or—I do not want a picking and choosing situation in regards to USTR negotiations with the E.U., and that is always so terribly tough with regards to agriculture.

Senator Isakson got into the GMO business, and that is always very difficult. We have a real problem with Japan. I am going to skip through here really quickly. They have signaled they want to protect their country’s agricultural sector when they join the TPP negotiations, and they are going to exclude our beef, our pork, our rice, our wheat, barley, sugar, and dairy from tariff reduction or elimination. What does this mean for U.S. agriculture exports?

Now, I am skipping from the E.U. to Japan, but it is the same kind of issue in regards to agriculture. How do you plan to address this multitude of problems? I do not want a situation where we are picking and choosing in regards to the—well, all of the trade negotiations. I would point out to you that, in each and every case, agriculture has been a real problem. It can be a real opportunity, but it has always been a big problem. Would you care to comment?

Ambassador MARANTIS. Sure, Senator. I agree with both. We have significant export success in agriculture. We have record agriculture exports this year of \$145 billion. That is up 44 percent since 2009. But we face real challenges with both the E.U. and Japan on agriculture—historic issues.

With the E.U., we have an opportunity for the first time to address these challenges in the context of the Trans-Atlantic Trade agreement. It is something that we have been very clear about with the E.U., both from a tariff perspective but as well as from a non-tariff perspective.

With respect to Japan, they understand. The Japanese government understands that the whole goal of the TPP agreement is to negotiate a high-standard, 21st-century agreement that has the goal of eliminating all tariffs. We take this very seriously and will continue to work with you to fight for U.S. agricultural interests.

Senator ROBERTS. I truly appreciate that comment.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator.

Senator PORTMAN?

Senator PORTMAN. Thank you, Mr. Chairman.

Ambassador Marantis, thank you for joining us today. You know this committee pretty well, and that is one reason we like having you down there, because you understand the fact that members of the Senate, particularly this committee, like to play a significant role in trade. Some of us have been very concerned, as you know, about the lack of an aggressive trade agenda, particularly on the bilaterals, because of the lack of Trade Promotion Authority and negotiating authority.

So I was delighted to see that the trade agenda says that the administration will work with Congress on TPA. I wish it had happened 4 years ago, or 3 years ago, or 2 years ago, but I think this is good. I know you have talked a little about it in response to the chairman's question, and I applaud him for promoting this as well.

But maybe you could lay out for us a little bit what you see as being part of TPA, as compared to the TPA that is not currently in effect but that has expired, and what the administration's negotiating objectives are. I will say that the same commitment to move forward was made by your predecessor, and my understanding is that the committee reached out to begin negotiations, and nothing happened. So, I am assuring all of my staff that this time you are sincere and, again, just want to get a sense of what you see as some of the negotiating objectives.

Ambassador MARANTIS. Sure, Senator. As I said earlier, we have heard your calls loud and clear on TPA. It is in our mutual interest to use TPA as a tool as part of our jobs-focused trade agenda. There is a lot that we are going to have to talk about with respect to trade negotiating objectives, and it is a conversation that we are ready to begin to have with you. I do not have any preconceived notions. We do not have any preconceived notions. It is a discussion that we want to have with you.

Senator PORTMAN. We look forward to that discussion, and I hope you will be aggressive in reaching out, just as we will, because time's a'wasting. I do not think you are going to get the last best offer on things like TPP to really get the barriers down, deal

with intellectual property, and other issues which I hope you will be a champion for, without having the ability to let other countries know that we have the ability to take those through the process without being amended to death.

So on WTO, for a second: Doha has been disappointing, of course, because it was a great opportunity to give workers and farmers in Ohio access to new markets. It sounds like there is going to be, in Bali, an opportunity to make some progress on trade facilitation and a Customs agreement, and maybe even a government procurement agreement.

Can you give us a little update on that as you prepare for that ministerial? Do you feel as though you are making progress? I have heard from some that the negotiations are not going great, that some of the issues at the border in some of these countries make it more difficult to trade, both for them and for us, and are not being resolved. Can you give us some assurance that you guys are on top of that?

Ambassador MARANTIS. Yes, Senator. I mean, you know better than all of us the importance of the WTO and how it is the mainstay of multilateral liberalization. We are in the process right now of working to craft a practical and realistic package for Bali that includes, as you mentioned, trade facilitation.

We are working on certain aspects of agriculture and development as well. At the same time, we are also accelerating our negotiations on the ITA, on the information technology agreement, and I am hopeful that we will be able to move that forward before Bali as well.

Senator PORTMAN. On TPP, I think earlier—I had to run out to give a talk—but I think earlier there was discussion about our concern about autos in TPP. The bottom line is, Japan is a very closed market. If you look at it as compared to our market, we are at about, I think, 40 percent imports now. I think they are less than 10 percent—in fact, less than 6 percent, I think.

So clearly we are concerned that this is not going to be a level playing field if Japan is brought in and we do not aggressively address this auto issue. Can you give us an assurance today that the administration is going to ensure that, before Japan is a member, that there are certain commitments made on autos?

Ambassador MARANTIS. Yes, Senator. I mean, this is, as we all know, a long-standing issue of concern. We have made it very clear to the government of Japan that we have serious issues to work through on the auto side. We are doing that now, and we will continue our close consultation with this committee.

Senator PORTMAN. As you know, I spearheaded a letter last year and again this year on the U.S.-E.U. Trans-Atlantic agreement, maybe an FTA, maybe a trade and investment partnership agreement. Senator Hatch and Senator Baucus have been big supporters of looking at this issue because of the enormous amount of trade between our two regions and the fact that there are a lot of regulatory issues that could be addressed, some standardization uniformity that would help tremendously.

One of my concerns has always been on the agricultural side. Again, for Ohio farmers, we want to have these agreements. This is the biggest market in the world, and we want to have access to

it for things like soybeans and corn, beef and pork, all of which have various non-tariff barriers attached to them.

Are you making an effort with the Europeans up-front to ensure that those issues are addressed?

Ambassador MARANTIS. Yes, Senator. We have a huge opportunity with the E.U. We have no illusions that agriculture trade is not going to be a difficult issue, but we are going into this with the expectation that we are going to work towards eliminating all tariffs, and that includes agriculture tariffs, and that we will address key non-tariff issues like sanitary and phytosanitary issues. So we are ready to go, and we look forward to working with you as we develop our trade negotiating objectives.

Senator PORTMAN. Thank you, Ambassador.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator.

Next is Senator Carper.

Senator CARPER. Thanks, Mr. Chairman.

Welcome, Ambassador Marantis. Nice to see you.

I want to put my questions in context, if I can. We are taking up the budget resolution here this week and hopefully will find some common ground with our Republican friends, but I think the people of the country are looking at us and are asking maybe three questions: (1) can they—that is, us—govern; (2) can we in our country be fiscally responsible again; and (3) can we provide certainty with respect to our tax code and that kind of thing?

I gave a speech a little bit earlier this morning. I said I think there are about four things we need to do to strengthen our economic recovery as we come out of the recession, continue to come out of the recession, and at the same time pull back on spending. One of those is to try to invest a little money in workforce development, workforce skills, especially the STEM skills: science, technology, engineering, and math.

The second area the President has called for investing in is infrastructure, broadly defined—not just roads, highways, bridges, but infrastructure broadly defined. A third area is research and development, R&D, that can be commercialized and lead to the development of products, goods, and services that we can sell all over the world.

With that in mind, that takes us to where we are today, and that is the ability to grow exports by negotiating the kinds of free trade agreements that we are discussing here, both on the Pacific side and on the Atlantic side.

A couple of people talked about cars. We used to build a lot of cars. We built more cars, trucks, and vans per capita in Delaware for decades than any other State. We lost both our GM plant and our Chrysler plant, but we still have a strong interest in the auto industry. We have talked about Japan. I should say I think their market penetration here is pretty robust.

I know it is about 40 percent here, but we are at about 6 percent over there. When we were negotiating the South Korea Free Trade Agreement, for every 500,000 cars they sold to us, we sold about 5,000 to them. We have passed the free trade agreement, negotiated it, ratified it, and my question on South Korea is, are we starting to see any kind of changes there with respect to that ratio,

500,000 Korean vehicles coming here to 5,000 of ours going there? Is that changing at all?

Ambassador MARANTIS. Senator, actually we have good news to report.

Senator CARPER. We are ready for it.

Ambassador MARANTIS. Passenger vehicle exports to Korea in the past year have increased by 45 percent. That is in addition to a lot of the other good statistics we have seen with respect to Korea: cherries have increased by 88 percent; orange juice has increased by 130 percent; overall manufactured goods have increased by 1.3 percent; services have increased by 10.3 percent. So we are seeing increases.

Senator CARPER. That is good. All right.

We have heard a good deal about the challenges that our American businesses face in India. That is an area that I think you know a little bit about. I remain concerned with the restrictive trade practices that particularly our poultry and other products face in that country which remove opportunities for market access in a growing economy of, I think, about 1.2 billion people.

For instance, the non-scientifically based policies that do not conform to World Organization for Animal Health standards have shut out the U.S. poultry industry, as I believe you know. Additionally, the U.S. bio-pharmaceutical industry has had several patents disregarded, just disregarded, due to inappropriate use of compulsory licensing and patent revocation.

I think India has been a big part of your focus at USTR. Let me just ask, what are USTR's plans over the next year to address the increasing challenges our industries face in India, and are you concerned that not addressing these challenges will set a negative precedent among other nations?

Ambassador MARANTIS. Thanks, Senator. We have a huge and vibrant trading relationship with India. It has the potential to really create new opportunities for us, but there are some very real frustrations that you have pointed to.

On poultry, for example, we have brought a WTO dispute against India challenging their poultry ban. You point to issues with respect to compulsory licensing. We have deep concerns over deterioration in the innovation climate in India with respect to what you mentioned, Senator, as well as market access policies that are affecting electronics.

I was in India in December and raised these issues very clearly with our counterparts, and we hope to work very closely with them to grow and develop the relationship and address the irritants that are unfortunately rising.

Senator CARPER. All right. Thank you.

One quick follow-up question, if I could. Is it correct to say that, as you look to begin negotiations on the other side, on this side of the ocean, this side of the country, the Trans-Atlantic Trade and Investment Partnership, that everything, including agricultural barriers, will be on the table?

What other steps is USTR taking to address the challenges abroad that our poultry industry in particular faces? The reason why I focus on poultry is, for every person who lives in Delaware—probably for every person who lives on the Delmarva peninsula—

there are 300 chickens, so this is something that is of enormous value. We used to export very few chickens. Today, I think one out of every five is exported that we raise in America. So could you just respond to my question?

Ambassador MARANTIS. Sure, Senator.

Senator CARPER. Is everything on the table, all the agricultural barriers? Is that on the table?

Ambassador MARANTIS. Yes, Senator, they are. And we have good news with respect to our poultry exports. They are at an all-time high of \$6.3 billion, which is up 7 percent over 2011. But we are working in all contexts to address barriers in that sector.

Senator CARPER. All right.

Lastly, what other steps is USTR taking to address the challenges abroad that our poultry industry in particular faces?

Ambassador MARANTIS. There are, as you know well, a number of challenges. I mentioned with India we have filed a WTO case. We are working with other countries to address non-scientific barriers to poultry exports, and we are working in the context of our trade negotiations to ensure a level playing field for our poultry exporters. We appreciate your pushing us as hard as you do to stand up for U.S. poultry exports, and we will continue to do so.

Senator CARPER. Thanks so much. Thank you.

Senator HATCH. Senator Grassley?

Senator GRASSLEY. I was at the Judiciary Committee meeting on antitrust, so I missed what you said, but I want to say that I appreciate that you said that the administration wants to begin work on Trade Promotion Authority. This is long overdue, and I thank you and the President for moving in that direction.

Like my predecessor, I have some questions on agriculture. I know that you have personally been involved with the discussions with Taiwan on ractopamine. This issue simply has not been resolved satisfactorily. While Taiwan sets a residue level for beef, they continue to discriminate against pork. This simply ignores science and plainly does not make sense.

In addition, I will also point out that the Taiwanese promised me that they would fix this issue after their last presidential election. I think we are a year beyond that, and they have not kept that promise. So could you assure us in some way, and particularly Iowa pork producers, that this issue is going to get resolved and Taiwan is going to take down this unjustifiable barrier to U.S. pork? If you cannot do that—I mean, if you cannot assure us of that—tell us the extent to which we would take actions through the WTO.

Ambassador MARANTIS. Senator, thank you for raising that issue. I was just in Taiwan a week ago discussing the range of our trade and investment relationship with our counterparts. We had good news on the beef side of the house with respect to establishing a Maximum Residue Limit for beef, but you are absolutely right that we are not there yet on pork. It is a priority for us, and it is an issue that we will continue to press with the Taiwan authorities.

Senator GRASSLEY. And, if they do not take action, are there any plans to take a case to the WTO?

Ambassador MARANTIS. I think what we would want to do is to work with the industry and you to determine what are the best

steps to encourage the Taiwan authorities to do the right thing on pork.

Senator GRASSLEY. All right. I will just express my own view on that, and that is that I think we have been working on this so long, it is about time to throw in the sponge that there is going to be any faithful negotiation with them and that we need to take other action. I know that will be your decision, but that is my opinion.

A number of U.S. companies have come to me recently to express frustration with what they see as a growing number of countries using discriminatory practices on local content requirements. For instance, India is attempting to implement such a requirement on some technology firms.

Many of these countries, including India and Brazil, receive preferential treatment for their products under GSP. Has the administration considered using its GSP to limit or eliminate privileges for countries like India that impose these discriminatory measures on U.S. companies?

Ambassador MARANTIS. Senator, thanks for raising the issue of localization and local content requirements. It is a huge problem, and we are seeing it proliferate in various markets. In India, as you mentioned, we recently filed a WTO case challenging local content requirements in India's national solar mission.

You asked about GSP, Senator. We have a variety of tools at our disposal and need to look very carefully at which ones are the most effective in addressing the proliferation of local content requirements in India and elsewhere.

Senator GRASSLEY. All right. You have already been asked several questions about Japan and TPP, so I am going to pass over that and ask my last question. The European Union's renewable energy directive now being implemented by some European countries poses a significant and unfair barrier to bio-diesel and our feedstocks from the U.S. The renewable energy directive imposes greenhouse gas emission reduction requirements and sustainability standards that are simply inappropriate.

I understand there has been an effort by your agency to negotiate these issues bilaterally with the E.U. and DG Energy in Europe, and they have refused. Can you confirm for me that these issues with the E.U. renewable energy directive will be addressed during the U.S.-E.U. trade negotiations that have just been set up, or are starting to be set up?

Ambassador MARANTIS. Senator, I am not familiar with this issue. I will check back with our staff and will get back to you this afternoon.

Senator GRASSLEY. Can you give me a written response then, please?

Ambassador MARANTIS. Yes.

Senator GRASSLEY. Thank you very much.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator.

Senator Menendez?

Ambassador MARANTIS. Thank you, Mr. Chairman.

Ambassador, last year I raised, and I think Senator Hatch did earlier, the issue of regulatory protection of biologics in the context

of ensuring that the TPP is truly a 21st-century trade agreement with the highest standards of protection for intellectual property.

Correct me if I am wrong, but it is my understanding that negotiations on the pharmaceutical intellectual property text are still ongoing and that you have not yet tabled a proposal for 12 years of data protection for biologics.

These protections enjoy strong bipartisan support from Congress, as our highly innovative pharmaceutical industry supports millions of high-quality jobs, and a lot of us would like to see a TPP agreement that builds on the strong IP protections in the U.S.-Korea Free Trade Agreement.

As any renewal of TPA would likely include similar negotiating objectives, is it the administration's plan for the TPP to table 12 years of data protection for biologics as set out in U.S. law?

Ambassador MARANTIS. Senator, we agree with you that biologics are a vital area of pharmaceutical innovation. I do not know yet what we are going to do with respect to the term of data protection in the context of TPP. We have been talking to our trading partners very seriously about that. It is an area where we have been in consultation with this committee. We do not have a position yet and are continuing to formulate it.

Senator MENENDEZ. What type of opposition are you getting from the trading partners?

Ambassador MARANTIS. There is a lot. It is a new area. It is a new area of innovation and different in how our TPP partners treat biologics. Some do not provide protection, some do, so we are trying to strike the right balance between flexibility and specificity. We look forward to working with you to strike that balance.

Senator MENENDEZ. Well, it is one of the areas that I am going to be looking towards in terms of judging whether or not we can be supportive.

Let me turn to another area that in past trade hearings I have emphasized: the importance of ensuring that our trading partners comply with the commitments they make. Our companies face discriminatory measures and market access limitations in countries as diverse as China, India, and Argentina.

Theft of U.S. trade secrets is an increasingly urgent problem. We have the Wiley publishing company in New Jersey, one of the largest publishing companies in the world of scientific manuals. In a recent meeting with their board, they told me how their manuals get stolen in China with impunity.

So, as our firms and workers face competition from large state-owned companies, like in Russia and China and elsewhere, that compete globally, they are not limited by the normal rules of business competition, unfortunately. So I would like to have you elaborate on your earlier comments regarding the administration's efforts to enforce our trade agreements; particularly, what is USTR's plan for using the International Trade Enforcement Center and other mechanisms to ensure trading partners fulfill their obligations, eliminate barriers, further open their markets, improve protections, particularly those markets such as China, Russia, India, and Argentina, with long histories of raising obstacles to U.S. companies.

As part of that answer, given comments in your testimony about lack of resources, how does the administration intend to organize its financing to continue prioritizing enforcement? An agreement—any agreement—is only as good as that which is enforced. Some of us believe that on the enforcement side, we have not been as aggressive as others.

Ambassador MARANTIS. Senator, I could not agree with you more. Enforcement is—

Senator MENENDEZ. You can stop right there. [Laughter.]

Ambassador MARANTIS. All right.

Senator MENENDEZ. No, no. Go ahead. I am sorry.

Ambassador MARANTIS. Enforcement is at the center of the President's agenda. We open markets through trade agreements, but we have to make sure that Americans get the benefit of the bargain of those trade agreements, and that is through enforcement. We have had a very vigorous enforcement regime. We have brought 19 WTO cases since 2008.

With the creation of the ITEC, the Interagency Trade Enforcement Center, it has given us the ability to leverage interagency resources to be able to bring enforcement cases. ITEC's role has been fundamental in our ability to launch a recent case against China affecting autos and auto parts, as well as a recent case against Argentina affecting import licensing for U.S. exports. We will continue to place a very strong priority on enforcement and look forward to working with you and this committee as we do so.

Senator MENENDEZ. And you have the resources, you believe, to do it effectively?

Ambassador MARANTIS. As I had mentioned before, Senator, we have so much on our plate—enforcement of the various trade agreements—that the sequester cuts and the additional \$1-million cut in the CR has the potential to significantly affect our ability to carry out these trade agreements simultaneously, as well as continue the vigorous enforcement that has been a hallmark of the President's trade agenda.

Senator MENENDEZ. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator.

Senator Wyden?

Senator WYDEN. Thank you, Mr. Chairman.

Mr. Marantis, welcome. Thank you for always being so helpful. As you know, I chair the Finance Committee Subcommittee on Trade, and we were also trying to deal with timber this morning, so I apologize for being late.

I want to get your sense about the next steps, particularly as it relates to solar and renewable energy, because my sense is we are really at a fork in the road with respect to our policy in this area. As you know, American companies basically have had to stand up for their rights.

I mean, they have had to stand up to dumping and unfair subsidies and file all these cases. As a result, I think it is fair to say there is a fair amount of market uncertainty now with respect to renewable energy, and particularly solar.

So it seems to me there could be some real value in the United States looking to put together what I have essentially called, in terms of my own thinking, kind of global resolution. I would like

to know if you think there would be some value in that, and what role you think the United States might play in pursuing something like that.

Ambassador MARANTIS. Senator, thank you for your leadership on this issue. This is a new and emerging issue, and we in the administration are committed to creating and maintaining green jobs. We are eager to work with you and stakeholders in terms of determining how to address this issue holistically and look forward to doing so.

Senator WYDEN. We will pursue that with you in greater detail, but I will just tell you, I think this is an extraordinarily important moment for the administration. I think that, if the United States says there would be real value in moving now to try to put together a global resolution, that alone would perhaps bring a little bit more certainty and predictability to what is ahead. I think the United States ought to be leading those kinds of discussions, so I look forward to following that up with you.

Let us go to the question of TPP and start with digital trade. As you know, I think that the Internet is essentially the shipping lane of the 21st century. I think you look back at what hearings were in this room 25 or 30 years ago, and it is obviously very different in terms of the opportunities for digital goods and services.

Our problem is, we take steps here in our country to protect our kind of key emerging industries in the tech sector from discrimination and ensure they have a set of rules that is going to allow them to prosper and grow, and then the threat is that we will essentially have a variety of practices, sometimes it is out-and-out censorship, but there are a whole host of other kinds of barriers that get imposed and, in effect, not only can unravel gains we have made in the United States, but hamper our ability to get our digital goods and services into other markets.

Will the administration make this a priority to ensure that there is a pro-growth, non-discriminatory focus with respect to digital trade for the TPP?

Ambassador MARANTIS. Senator, thank you for your long-standing leadership in this area and for pushing us so hard in it. Yes, absolutely, this is a huge priority of ours to pursue pro-growth, non-discriminatory market-opening disciplines in the TPP, as well as in the international services agreement on digital trade. We look forward to working with you to ensure that they are as strong as they can be.

Senator WYDEN. One last question. As you know, in our part of the world there is great concern about a number of other economic issues: footwear, clothing, and others. My sense is, in the past there has not been sufficient focus on the global supply chain as it relates to these kinds of industries.

Can you assure the committee that the administration's part of TPP—and it is not just footwear and clothing, which I have raised, but the global supply chain generally—will be a bigger part of future trade agreements starting with the TPP?

Ambassador MARANTIS. Yes, Senator. The beauty of the TPP is we have the opportunity to rationalize supply chains with the most competitive region in the world, with the effect of creating and supporting more jobs for us here at home. So this is a big priority of

ours, and again, as in other areas, we look forward to working closely with you.

Senator WYDEN. I think, Mr. Chairman, my time is about up. That is an area I would like to follow up with you on. I remember when you chaired the Trade Subcommittee that issues like the global supply chain, those certainly did not carry the same importance they do today. I would like to follow that up and work with you on it.

The CHAIRMAN. Sounds good. Thank you, Senator.

Senator Thune?

Senator THUNE. Thank you, Mr. Chairman, for holding this hearing today, you and Senator Hatch. I also want to thank Ambassador Marantis for your willingness to testify. We all know the importance of trade and how vital it is to our economy and to improving America's competitive position in the world.

We always hear the statistic that 95 percent of the world's population lives outside the United States, and yet the United States and Americans generate more than one-fifth of the world's income. The only way that we are going to be able to maintain that level of income is to open new markets and expand the sale of American-made goods and services.

So I want to commend the administration for recognizing the importance of expanding opportunities for trade. That said, I am troubled by the administration's lack of commitment regarding a request for Trade Promotion Authority, which expired back in 2007.

We all agree and recognize the importance of trade agreements like the E.U.-U.S. agreement, like TPP, but we also have to recognize how important Trade Promotion Authority is to ultimately getting those approved by Congress. If we do not have Trade Promotion Authority, a negotiated agreement may not be able to pass Congress, and we are not going to get any action on lowering tariffs, eliminating non-tariff barriers, or increasing American exports.

So I would hope that the first order of business for the next Trade Representative will be to work really hard on getting Trade Promotion Authority put back in place.

I was pleased to see the recent statement by the Japanese Prime Minister regarding Japan's desire to join the TPP negotiations. They are the world's 3rd-largest economy and have historically been a very important market for American agricultural exports, but there remain some significant outstanding issues that need to be addressed concerning persistent barriers that they put in place to certain segments of American agriculture.

So I guess I would ask if you could talk about the potential benefits to the United States and our agricultural economy from Japan's inclusion in the Trans-Pacific Partnership, and how will USTR evaluate whether Japan is truly ready to join those negotiations.

Ambassador MARANTIS. Thanks, Senator.

You point out Japan is the world's 3rd-largest economy. They are our 4th-largest trading partner. There are huge opportunities, huge untapped opportunities, in our trading relationship with Japan. We do have concerns. They are concerns that we are all familiar with on autos, on insurance, on non-tariff measures, and on ensuring that Japan is able to live up to the high standards we are negoti-

ating in the Trans-Pacific Partnership. It is work that we are continuing to do with our counterparts in Japan. We have made progress, and we will continue that work in close consultation with this committee.

Senator THUNE. Let me ask you another question that deals with the E.U.'s recent decision to impose a 10-percent duty on all imports of ethanol from the United States. Their ethanol production—people who are in that industry in this country believe that what the E.U. did in imposing a country-wide antidumping duty on all U.S. ethanol imports is both unprecedented and unsupported from a legal standpoint, and that it will completely close the E.U. to U.S. ethanol.

What action is the USTR prepared to take to challenge this act by the E.U., and what impact do you think the E.U.'s decision might have regarding the future of our trade relationship with them?

Ambassador MARANTIS. Senator, let me take that question back and get you an answer. I am not familiar with the issue as well as I probably should be to answer this question here, but we will get back to you today.

Senator THUNE. All right. That would be great if you could. I think that is an issue that could have some bearing on some of the discussions that are going on about our opening up additional trade opportunities between the U.S. and Europe.

Just a final point. I come back to where I started, and you probably answered this from a number of my colleagues already, but what is the administration's current posture with regard to Trade Promotion Authority? I mean, why have we not received a request from the administration for TPA, and what is being done about that?

Ambassador MARANTIS. Senator, we have heard—we had calls from you and others on this committee—loud and clear about moving forward on TPA. We discussed today so many great initiatives that we are pursuing as part of our job-focused trade agenda and the importance of TPA as a tool in furthering that. We stand ready to begin our work with this committee on TPA.

Senator THUNE. Well, I would say the sooner, the better.

Ambassador MARANTIS. All right.

Senator THUNE. I hope we get that going.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator, very much.

I just have a couple of quick questions. One is, with the OIE, the World Organization for Animal Health, now stating that U.S. beef is safe, which is a higher level of protection than before, how are we best utilizing that around the world? In what countries will that have the greatest potential?

Ambassador MARANTIS. Senator, it is great news that the OIE has recommended that the U.S. be given a negligible risk status. We have had a good year on beef. Our exports are at an all-time high. Our beef agreement with Japan has just gone into effect. That will present hundreds of millions of new export opportunities for safe and delicious beef from Montana and elsewhere.

The OIE negligible risk classification should help us in the remaining markets that are not open to U.S. beef, China and others,

and we will use this new certification to work very strongly with our trading partners to ensure that they give us access on beef.

The CHAIRMAN. What leverage do we have on China? When you answer that question, I would note that China, Japan, and South Korea are trying to put together their own trade agreement while we are working on TPP, which is interesting, because Japan wants to be in both. But how does that effort of those three countries interact with TPP? The other question I would ask is, generally, how can we use the OIE to get access to China?

Ambassador MARANTIS. On the beef side, Senator, I think the positive news that we have had in South Korea and in Japan and in Taiwan will help us in our beef talks with China. More broadly, with respect to our relationship with China, there is so much going on. I mean, you have always said it best: our relationship with China is full of opportunities but full of real challenges.

We are moving on all cylinders with China with our results-oriented dialogue as part of the JCCT and the Strategic and Economic Dialogue. We have filed 8 cases against China in the WTO since 2008, and we are working closely with China to develop strengthened regional and global rules, whether it is in the WTO or in APEC. So there is a lot of work that we intend to continue with China in close cooperation with this committee.

The CHAIRMAN. Thank you. Could you also just indicate the importance of the Codex standard for safe use of ractopamine and how we can leverage that to sell more pork and other related products?

Ambassador MARANTIS. Senator, thanks for asking that. I mean, as with the OIE certification of negligible risk for beef, Codex established a minimal risk level this summer on ractopamine, and that should help us strongly in our efforts to ensure that countries do not impose non-scientific bans on our products that are treated with ractopamine.

Taiwan has recently established an MRL for beef on ractopamine, but, as Senator Grassley mentioned, it has not done so with respect to other meat products. It is an issue that we are focused on with Taiwan, with Russia, and with our other trading partners.

The CHAIRMAN. Thank you. Thank you very much.

Senator Hatch?

Senator HATCH. Well, thank you. I will not keep you much longer.

There is a lot of activity in Geneva at the World Trade Organization. Efforts continue to complete a trade facilitation agreement before the ministerial in December. Negotiations on a plurilateral international services agreement should formally begin in April, and many are pressing to expand the International Technology Agreement.

The Doha Round is not going anywhere that I can see, but perhaps some of these initiatives can demonstrate that the WTO can still produce results through negotiations. Can you please give us the administration's assessment of what deliverables are possible from the WTO this year?

Ambassador MARANTIS. Senator, thanks for raising that. It is important always to remind ourselves how important the WTO is and

how important it is for us to ensure that it remains robust and the center of multilateral trade liberalization.

The WTO does so much in the area of its committees and overseeing implementation of the various WTO agreements. We are working now, as we prepare for the WTO ministerial that will take place in Bali at the end of the year, to come up with a practical but robust package that includes trade facilitation, that includes certain elements of agriculture and development, too.

You also, Senator, mentioned the ITA. We concluded that 16 years ago, but a lot has happened in those 16 years in the information technology sector, and we need to update the product coverage. We are accelerating negotiations to do so. As we speak, the U.S. is hosting negotiations in Geneva on expanding the ITA, and I am hopeful that we should be able to get this done as well by the next WTO ministerial.

Senator HATCH. Let me just ask one other question. That is, last year the administration announced a new model Bilateral Investment Treaty, or BIT program. I want to underscore our interest in ensuring that you and your colleagues continue to pursue strong investment disciplines around the world, both through the enforcement of existing BITs and through the negotiation of high-standard investment disciplines and new trade agreements such as the TPP.

These investment disciplines are critical, at least in my view, and I think in the view of many others here on the committee, to the ability of U.S. companies to manage risks associated with overseas investment and to ensure that they have access to a neutral dispute settlement process.

Now, I raise this issue because I have grave concerns regarding Ecuador. There are real questions as to whether Ecuador is upholding the awards of arbitral tribunals. In addition, the president of Ecuador has indicated that he intends to review Ecuador's participation in various BIT agreements with a view towards withdrawing from them in the near future.

Now, I would just like to know what you and the administration are doing to send a powerful message to Ecuador that you expect them to live up to their treaty obligations towards our country, the United States. Further, Ecuador is emblematic of some of the challenges we face in the region, from Venezuela, to Argentina, to Cuba.

Now, apart from TPP, what is the administration's plan for engaging economically with our neighbors in South and Latin America?

Ambassador MARANTIS. Senator, thank you. I could not agree with you more about the importance of our Bilateral Investment Treaties and our investment provisions. The whole purpose of them is to level the playing field so that we can help ensure that investment creates jobs here in the United States.

With respect to Ecuador, we share your concern. We regret the deteriorating investment climate in Ecuador and the recent moves by Ecuador to withdraw from our Bilateral Investment Treaty. We have a petition from a company before us right now that is asking us to consider the revocation of GSP in Ecuador because of its deteriorating investment climate. We are looking at that seriously.

On Latin America, Senator, we agree strongly with you that the western hemisphere is a critical trading partner. We have a \$1.5-trillion, 2-way trade relationship. We are moving with Canada, Mexico, Chile, and Peru in the TPP. We are working with Panama and Colombia on implementing our trade agreements. The President recently, in 2011, announced with Brazil an agreement on trade and economic cooperation. We are working on IP-related issues in that context with Brazil, as well as investment.

So, we have a lot on our plate in the western hemisphere, and in Latin America in particular, and we look forward to working to continue to deepen that relationship with them.

Senator HATCH. Well, thank you so much. This has been a great hearing as far as I am concerned. I want to thank you again for heeding my calls on TPA. I think it is time to get this done, and we have to do that. As you know, it is always a hassle up here, but that helps us to get through the hassle a lot easier than if you do not get it.

So I cannot imagine anybody not wanting that who has to deal in this area, but we are grateful to you, grateful for your service. We miss you on this committee, but know that you have gone on to higher and greater things; we accept that. But thank you for being here, and we appreciate the testimony you have given to us today.

Thanks so much for that, and we will recess until further notice.
[Whereupon, at 12:19 p.m., the hearing was concluded.]

A P P E N D I X

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

Hearing Statement of Senator Max Baucus (D-Mont.) Regarding the 2013 Trade Agenda and Job Creation

The English philosopher Sir Francis Bacon once said, "A wise man will make more opportunities than he finds."

By that standard, the United States has been very wise, crafting a significant trade agenda that provides many new opportunities for our nation. We must now be aggressive, seize these opportunities and create more than we find.

An aggressive trade agenda is key to boosting our nation's economy and creating good-paying jobs in my home state of Montana and all across America. Export-related jobs pay 13 to 18 percent more than the national average. These are good paying jobs in factories, on farms and in facilities all across the U.S. By being aggressive, we can build on the success achieved in the 112th Congress.

Working together, we passed three free trade agreements – with Colombia, Panama and South Korea. We extended the Trade Adjustment Assistance program. We renewed three important preference programs. And we helped U.S. exporters take advantage of Russia joining the WTO.

And by working together, we can achieve similar success now, in the 113th Congress. We can ensure that U.S. businesses, workers, farmers and ranchers reap the benefits of expanded trade through the many promising opportunities now underway.

These opportunities include the Trans-Pacific Partnership in Asia and the Transatlantic Trade and Investment Partnership in Europe. They also include a new services agreement and expansion of free trade in information technology.

Given this ambitious agenda, the need for Trade Promotion Authority is clear. TPA is a key negotiating tool and will help bring these trade agreements to a successful conclusion. It has been more than a decade since we renewed TPA and the world has changed in that time. Since 2002, U.S. exports of goods and services have more than doubled. America now faces a new set of economic priorities and challenges. The new TPA should reflect these realities. I'm pleased that the Administration has indicated its interest in working with Congress to get TPA done. Working together, we will pass this important trade legislation.

While we are expanding markets abroad, a competitive American workforce must be ready to help U.S. companies seize these opportunities. Since 1974, Trade Adjustment Assistance, or TAA, has been the

foundation for expanding trade. TAA has helped thousands of American workers, small businesses, farmers, and ranchers improve their competitiveness in the global marketplace.

Since 2009, approximately 800 workers at nearly 40 companies in Montana have been approved to receive TAA benefits. Nationally, more than 400,000 American workers have been approved for benefits. These are not statistics. We are talking about mothers and fathers with families to support.

TAA gives these folks the skills and support they need to get ahead in today's job market. TAA helps them land the good-paying jobs they deserve. And when they land that job, they often excel and succeed. In fact, 90 percent are still employed six months later.

TPA and TAA are two sides of the same coin making trade work. We need to renew and extend both of them this year.

Looking at opportunities across the Atlantic, I see the European Union, our largest trading partner. Today, 21 percent of U.S. goods and services exports go to the EU, supporting nearly 13 million American jobs. If we are aggressive, we can achieve much more. By simply eliminating tariffs, U.S. exports to the EU could increase by 17 percent, generating even greater economic growth and more jobs here at home.

But to tap into the opportunities of an EU agreement, we must first overcome some serious challenges. These include access for U.S. agricultural exports, such as beef and pork, and elimination of non-science based regulations.

Unscientific and unfair barriers to U.S. agriculture products put U.S. jobs at risk. In Montana, fifty percent of our economy is tied to agriculture. One in five Montana jobs is connected to ranching and farming.

I know America's ranchers and farmers produce the highest-quality products in the world. This is why I will only support a trade deal with the EU if it gives America's producers the opportunity to compete in the world's biggest market.

Looking at opportunities across the Pacific, I see Asia's fast growing economies. The Trans-Pacific Partnership, or TPP, will strengthen our ties with some of the world's most vibrant economies and burgeoning consumer markets.

Over the past decade, U.S. exports to TPP countries nearly doubled to almost \$700 billion in 2011. And Asia's share of world imports grew from more than 18 percent in 1983 to almost 31 percent in 2011.

The TPP countries' average GDP growth was more than two percentage points higher than the U.S. in 2010. With Japan's recent announcement of its desire to join the negotiations, the TPP could soon account for nearly forty percent of the world's GDP.

I was in Japan this past summer and met with former Prime Minister Noda and other leaders in an effort to strengthen trade ties. I am glad to see Japan is now interested in coming to the negotiating table on TPP, and I look forward to working with USTR to ensure Japan meets the high-level standards of this agreement.

Japan's inclusion would enhance the remarkable opportunity presented by the TPP to open a huge market to our world-class exports.

I'm hopeful we can build on the progress we recently made when Japan began accepting more U.S. beef exports. Now we must make every effort to conclude the TPP this year.

While China is not part of the TPP negotiations, trade with the world's second largest economy also presents opportunities, as well as challenges.

I was encouraged to hear China's new premier Li Keqiang recently say his government is committed to strong relations with the U.S. and he sees a strong outlook for trade and investment between the two countries.

The U.S.–China relationship should be mutually beneficial. But for this to happen, China must play by the rules. I continue to be concerned that China's currency manipulation costs U.S. jobs. So does China's failure to end the wholesale theft of U.S. patents, copyrights, trademarks and trade secrets.

And China has pioneered a practice — now copied by India and others — of requiring U.S. companies to transfer technology to domestic companies in order to gain access to its market.

We need to be on the offense and fight these unfair practices. We need to enforce existing agreements and develop novel approaches in new agreements. And we need to work with like-minded countries to push back against the theft of intellectual property.

At the end of the day, America's trade agenda is about one simple goal: jobs.

At a time when job creation must be our number one priority, a strong, aggressive trade agenda is one of the most powerful tools we have to put more Americans to work.

The opportunities are laid out before us. America must now take action, seize these opportunities and, as Sir Francis Bacon said, "make more than we find."

**STATEMENT OF HON. ORRIN G. HATCH, RANKING MEMBER
U.S. SENATE COMMITTEE ON FINANCE HEARING OF MARCH 19, 2013
PRESIDENT'S 2013 TRADE AGENDA**

WASHINGTON – U.S. Senator Orrin Hatch (R-Utah), Ranking Member of the Senate Finance Committee, today delivered the following opening statement at a committee hearing examining the Obama Administration's trade agenda for 2013:

Mr. Chairman, thank you for holding today's hearing. As I'm sure you'd agree, congressional oversight is critical to ensuring transparency and accountability in the Executive Branch. So, I appreciate this opportunity to talk with the Administration in a public forum about their trade agenda.

International trade is critical to our economy. Trade supports more than 38 million jobs in the United States.

But we can do better.

Ninety-five percent of the world's customers live outside the United States and they account for 92 percent of global economic growth and 80 percent of the world's purchasing power. If we are going to access these customers, we need an aggressive trade policy and the tools to help put that policy in place.

Our record of bipartisan cooperation on trade is strong.

During the last Congress we worked together to pass seven trade bills, including our long-stalled free trade agreements with Colombia, Panama and South Korea. We also worked closely together to develop legislation to grant permanent normal trade relations for Russia while holding Russia accountable for its actions. I am hopeful we will be able to look back on a similar record of success at the end of the 113th Congress.

There certainly is reason for hope.

The Administration is forging ahead to complete negotiations for a Trans-Pacific Partnership agreement this year.

They also recently announced their intention to launch negotiations with the European Union on a comprehensive trade agreement.

Furthermore, expansion of the Information Technology Agreement, which would lower taxes and tariffs on information technology projects to zero, and conclusion of an agreement on trade facilitation hold great promise.

Conclusion of an International Services Agreement could also expand opportunities for U.S. workers and job-creators. The United States is a dynamic service provider. Unfortunately, to date, U.S. exports of services have not even come close to reaching their full potential. This agreement could increase trade in services by another \$600 billion per year.

These are all ambitious undertakings and, if successful, they will make a major contribution to U.S. economic growth.

Our future does indeed look bright.

But there are also a few significant storm clouds on the horizon.

Many of the toughest parts of the Trans-Pacific Partnership negotiation have yet to be resolved, including market access for dairy, sugar, and textiles. The Administration is still contemplating including product-specific carve-outs within the agreement, a dangerous proposal that could be used as a precedent to exclude other products from coverage in this and future agreements, thereby diluting their commercial benefits. Such an irresponsible proposal threatens to undermine decades of U.S. trade policy for no discernible purpose.

And, the Administration's trade policies with regard to patent protection remain vague, particularly with respect to the term of protection for biologics. How these issues are resolved will go a long way towards determining whether I and my colleagues will be able to support the final TPP agreement.

Additionally, while a potential EU agreement holds much promise, it must be comprehensive, result in real regulatory harmonization, and reflect the highest standards of intellectual property rights protection if it is to gain the strong support of Congress. Our past negotiations with the European Union have shown just how difficult this task can be.

Let's hope that we can get it done this time.

President Obama will make two key decisions in the near future which will help determine the success or failure of his trade agenda.

First, the President must nominate someone to serve as the United States Trade Representative who has the trade expertise, political savvy and leadership skills necessary to effectively lead the agency.

Today, morale at USTR is at an all-time low. Ill-conceived proposals by this administration to have the agency subsumed into the Department of Commerce reveal a complete lack of understanding regarding both the structure and purpose of the agency.

Sadly, rumors persist that the President may nominate as his next Trade Representative the chief architect of this proposal to end USTR as we know it.

I hope that is not the case. Following through with this proposal would send a very negative signal to both our career negotiators and our negotiating partners. If the United States is to be taken seriously on trade policy around the world, we need a real leader at USTR who understands the agency and is capable of navigating the difficult shores of international trade negotiations.

Second, the President needs to work with Congress to renew Trade Promotion Authority.

Almost one year ago to the day, Ambassador Kirk testified before this committee that USTR would engage with Congress on the steps needed to implement a new Trade Promotion Authority. Despite my offer to begin negotiations that very day, no steps have been taken by this Administration to engage Congress on TPA.

No meetings, no discussions, no exchange of ideas – nothing.

Now, the President's 2013 Trade Policy Agenda says the President will work with Congress on Trade Promotion Authority. I take this promise as a sign of progress, but we have already wasted four years.

TPA could have been done a long time ago. We can't afford to waste any more time.

There is much work to be done for this ambitious trade agenda to succeed. Launching negotiations is one thing. Closing high standard agreements that Congress will support and pass is a completely different undertaking.

I hope this President and this Administration are up to the task.

Ambassador Marantis, I look forward to your testimony today, and to working with you and the next U.S. Trade Representative to advance our shared goals of opening foreign markets, enforcing our trade laws, and creating even greater economic opportunities for this and future generations. Thank you, Mr. Chairman.

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**Testimony of Ambassador Demetrios Marantis
Acting United States Trade Representative
Hearing before the Senate Committee on Finance on
The President's 2013 Trade Policy Agenda
March 19, 2013**

Chairman Baucus, Ranking Member Hatch, members of the Finance Committee, thank you for the opportunity to testify.

We are now three years into President Obama's National Export Initiative (NEI), and despite many challenges we have faced over this time period, I am pleased to report that increased U.S. exports over the last three years have supported 1.3 million additional American jobs. In fact, in 2012, U.S. exports overcame slackening global demand and a devastating drought in the Midwest to reach record highs in all major sectors: manufacturing exports were up 47 percent; agricultural exports were up 44 percent; and services exports were up 24 percent over 2009 levels.

Through action on President Obama's trade agenda for 2013, together, we will build on this progress and take bold steps that will support greater economic growth and jobs for more Americans. Bipartisan cooperation between Congress and the Administration has been – and will remain – critical to secure additional job-supporting trade opportunities for U.S. farmers, ranchers, businesses, workers, manufacturers, and service providers. In 2013, the Administration will continue to consult closely with Congress on U.S. trade negotiating objectives, and to engage in robust trade enforcement efforts to defend U.S. rights and to hold our trading partners accountable for meeting their commitments.

In 2013, as President Obama announced in his State of the Union address to Congress, we are preparing to begin negotiations with the European Union toward a Transatlantic Trade and Investment Partnership (TTIP) to further strengthen the world's largest trade relationship. We are intensifying negotiations with Trans-Pacific Partnership (TPP) countries to finalize a next-generation, high-standard trade agreement in the world's fastest growing region. We are nearly ready to begin negotiations on an International Services Agreement (ISA) to open up global trade in services, a sector where U.S. providers are highly competitive. At the World Trade Organization (WTO), we are advancing promising pathways for 21st century trade liberalization in trade facilitation and expansion of the Information Technology Agreement. And to facilitate the conclusion, approval, and implementation of market-opening negotiating efforts, we also look forward to beginning our work with you on Trade Promotion Authority.

This year, the Administration will seek to further improve the effectiveness of U.S. trade preference programs by working with you to renew and extend the Generalized System of Preferences (GSP) program in 2013 and the African Growth and Opportunity Act (AGOA) before 2015. And as additional countries still subject to Jackson-Vanik join the WTO, we will work to ensure that U.S. businesses and workers benefit fully from those partners' WTO commitments. To maintain support for hard-working Americans undergoing trade-related transitions, we also look forward to working with you to connect more effectively workers in

trade-impacted industries, and other displaced workers and businesses, with employment services in their communities.

Your support for President Obama's tough approach to trade enforcement will help ensure that American entrepreneurs, innovators, creators, workers, farmers, ranchers, manufacturers, and service providers are able to seize all of the job-supporting opportunities available under U.S. trade agreements. In 2013, the Administration will continue to ensure that our trading partners abide by WTO rules – while also monitoring and enforcing obligations in our bilateral, plurilateral, and regional trade agreements – in order to maintain open markets and to uphold key commitments. Where appropriate, we will expand U.S. trade enforcement work in conjunction with fellow WTO Members that share concerns related to trade practices which appear to be inconsistent with WTO rules. That work is now proceeding on issues such as prohibited subsidies, export restraints, burdensome import licensing requirements, and unwarranted sanitary and phytosanitary (SPS) measures.

Since its inception just more than a year ago, the Interagency Trade Enforcement Center (ITEC) already has begun playing a critical role in multiple enforcement actions, including two WTO challenges regarding practices by China and one WTO challenge each regarding practices by Argentina, Indonesia, and India, as well as a number of additional ongoing investigations. ITEC brings together staff from a variety of agencies – including the Departments of Commerce, Agriculture, Justice, Treasury, and State, with a diverse set of language skills and expertise including intellectual property rights, subsidy analysis, economics, agriculture, and animal health science. On a daily basis, ITEC implements a clear cross-government commitment to strong trade enforcement.

It is important to note, however, that the cuts we are experiencing under the sequester may compromise the Administration's abilities both to enforce U.S. rights under trade agreements and to pursue market-opening negotiations. Under these circumstances, the Office of the U.S. Trade Representative (USTR) may have reduced capacity to initiate new legal disputes, resulting in reduced enforcement of trade agreements. USTR is also currently conducting or preparing to launch three major trade negotiations; budget cuts due to sequestration may significantly hamper these and other efforts to open global markets and support American jobs, by reducing staffing and impeding USTR's ability to engage with trading partners to advance U.S. trade priorities.

And with regard to USTR's resources, I am glad for this timely opportunity to share a strong concern today. In the continuing resolution that is currently moving through Congress, USTR's budget would be cut by an additional \$1 million – on top of the \$2.6 million sequester. USTR has cut everything from travel to hiring to parking spots to security to save money. A further \$1 million hit could undermine USTR's ability to conduct multiple major trade negotiations simultaneously as well as severely compromise enforcement.

The initiatives described in greater detail below comprise the core focus of USTR's work in 2013; the scope and complexity of each of these initiatives serves to underscore the challenges USTR's highly competent and dedicated team of legal and policy experts will face in seeking to achieve these goals during this time of budget constraints.

The Trans-Pacific Partnership is a flagship initiative of President Obama's trade policy. TPP partners are seeking to achieve a high-standard trade agreement that will link dynamic economies throughout the rapidly growing Asia-Pacific region, and to provide a more robust and responsive trade model for the 21st century. TPP negotiators from the United States, Australia, Brunei Darussalam, Canada, Chile, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam are working diligently toward the goal put forward by President Obama and fellow TPP Leaders last November – to strive to complete the negotiations this year. During the 16th round of TPP negotiations concluded last week, TPP negotiators were able to put the talks on an accelerated track toward achieving this goal within the 2013 time frame. At the same time, the United States continues to engage with Japan regarding its interest in the TPP negotiations and has welcomed public expressions of interest by other countries in the region as well. As we consider the entry of additional countries, the Administration will continue to coordinate closely with Congress to ensure that new participants meet the TPP's high standards and address issues of concern.

The Administration is coordinating closely with Congress as we prepare to begin negotiations with the EU toward a Transatlantic Trade and Investment Partnership. Such an agreement would include ambitious reciprocal market opening in goods, services, and investment, and would offer additional opportunities for modernizing trade rules and identifying new means of reducing the non-tariff barriers that now constitute the most significant obstacle to increased transatlantic trade. A successful agreement of this kind could generate new business and employment by expanding trade and investment opportunities in both economies; pioneer rules and disciplines that address challenges to global trade and investment that have grown in importance in recent years; and further strengthen the extraordinarily close strategic partnership between the United States and Europe. We look forward to regular and rigorous consultations with Congress and stakeholders on all elements of the agreement throughout the course of the negotiations.

The United States is the world's largest services trader; last year, U.S. service suppliers combined to achieve a \$195 billion services trade surplus based on overall exports worth \$635 billion. In 2012, every \$1 billion in U.S. services exports supported an estimated 4,000 jobs in America. Service industries employ workers in every congressional district across the United States, and approximately three out of every four workers nationwide. Services support jobs and economic growth in agriculture and manufacturing as well. Although U.S. services exports account for roughly 30 percent of total U.S. exports in the aggregate, that figure becomes roughly 55 percent when services' input to U.S. goods exports are taken into account. Furthermore, a Peterson Institute for International Economics study notes that tradable services are still five times less likely to be exported than manufactured products. To realize the potential for additional services exports to support more American jobs, we need to surmount a range of barriers that lock out, constrain, or disrupt the international supply of services. That is why the Administration notified Congress on January 15, 2013 of our intent to negotiate an International Services Agreement with 20 like-minded trading partners. Since then, we have received substantial additional input from Congress and stakeholders to inform U.S. negotiating objectives, and we will be ready next month to start ISA negotiations in Geneva.

All of these negotiating initiatives have the potential to influence future trade liberalization in the WTO. While trade ministers agreed at the 8th Ministerial Conference that the Doha Round is at

an impasse, they also directed that efforts should be made to find new, creative approaches to WTO negotiations and to conclude early results where progress can be made. In preparation for the next Ministerial Conference in Bali at the end of this year we are working with other WTO Members to try to negotiate a package of results in areas such as trade facilitation, agriculture and development that could be a harbinger for a new can-do spirit in Geneva negotiations in the future. We can foresee the possibility that developments in the TPP, TTIP, and ISA could provide ideas and momentum for the WTO's negotiating agenda in years to come.

In parallel with the major trade negotiations described above, the Administration will pursue a number of cross-cutting trade policy initiatives to help U.S. producers export high-quality products Made in America to consumers worldwide.

To support American farmers, ranchers, and workers throughout the U.S. agricultural supply chain, in 2013 the Administration will continue to advocate for market access and science-based international standards for agricultural trade in support of additional exports of products grown and raised in America. We are maintaining close engagement with Korea, Colombia, and Panama, using consultative mechanisms established in our bilateral agreement with each of these trading partners and by other means as necessary, to ensure that all relevant commitments are upheld, including commitments related to agricultural market access and application of science-based SPS standards for U.S. agricultural exports. We are also working with other key trading partners such as Russia and China, using a full range of trade tools, to secure market access and application of science-based SPS standards for U.S. agricultural exports. And we look forward to seeing increased U.S. beef exports to Japan as a result of our January 2013 agreement with Japan regarding trade in this important sector and to making more progress as Japan's risk assessment process continues.

To help U.S. companies, workers, manufacturers, and service providers compete in global markets, the Administration is advancing rules-based international trade that promotes innovation and competition to the benefit of all businesses and consumers worldwide. In the TPP and TTIP negotiations, for example, the United States is seeking new disciplines to address trade distortions and unfair competition associated with the increasing engagement of large, State-owned enterprises in international trade. The Administration is also actively combating "localization barriers to trade" – i.e., measures designed to protect, favor, or stimulate domestic industries, service providers, and/or intellectual property (IP) at the expense of goods, services, or IP from other countries. Localization barriers to trade have increased in the last few years, especially in some of the world's largest and fastest growing markets. The Administration is taking an interagency all-hands-on-deck approach – working with businesses and like-minded countries – to tackle this growing challenge in bilateral, regional, and multilateral fora, and through trade agreements, enforcement, and policy advocacy.

To protect and promote the ability of U.S. investors to deploy capital in support of U.S. exports and economic growth, and to attract job-supporting investment to American shores, the Administration is advancing trade-enhancing investment measures with key trading partners. Building on last year's comprehensive review of the U.S. model bilateral investment treaty (BIT), we are seeking to secure high-standard BITs with trading partners such as China and India, as well as Mauritius. We are also continuing exploratory discussions regarding possible

BITs with partners including Russia, Cambodia, Ghana, Gabon, and the East African Community (EAC) as a region.

To support U.S. innovators, creators, and a wide range of American workers whose jobs are supported by intellectual property, the Administration continues to seek greater market access for IP-intensive U.S. products. At the same time, we seek to protect job-supporting innovation and creativity in a balanced policy that benefits both producers and users of innovative products and services worldwide. We are working to secure full implementation of IP-related commitments in all U.S. trade agreements, particularly our agreements with Korea, Colombia, and Panama, all of which entered into force last year. And we are closely monitoring compliance with IP-related commitments secured in 2012, such as those related to pharmaceutical protection in Israel and U.S. film exports to China, among others.

In the TPP negotiations, we continue to work with TPP partners to advance state-of-the-art, high-standard provisions that will protect and promote the spread of IP-intensive products and services throughout the entire region to the benefit of producers and consumers in all TPP countries. In addition to seeking the kind of high standards familiar from existing agreements, we are exploring the possibility of making new progress on key emerging IP issues, such as trade secrets. Input from diverse stakeholders helped to shape our efforts last year to introduce another proposal that would, for the first time in any U.S. trade agreement, obligate TPP Parties to seek to achieve an appropriate balance in their copyright systems in providing copyright exceptions and limitations for purposes such as criticism, comment, news reporting, teaching, scholarship, and research. In the area of public health, the Administration continues to welcome diverse stakeholder input to shape the development of proposals to promote access to innovative and generic medicines.

As we seek expanded markets for U.S. products, we also continue to defend aggressively millions of American jobs threatened by the wholesale theft of U.S. intellectual property, and we are combating global counterfeiting that endangers the health and safety of consumers everywhere. The “Special 301” process and related “Out-of-Cycle Reviews of Notorious Markets” are key tools in our ongoing monitoring and enforcement efforts to shine a spotlight on and encourage the elimination of trade practices and marketplaces that facilitate and sustain job-stealing piracy and counterfeiting. We look forward to making additional progress this year under action plans, dialogues, and a wide range of other efforts agreed to by key trading partners on a range of IP issues.

The Administration continues to promote mutual accountability and shared ambition in all of our trade relationships with partners around the world. The President’s 2013 Trade Agenda provides a short survey of our ongoing efforts to strengthen trade and investment relationships on a both a regional and bilateral basis. For example, as part of the Obama Administration’s comprehensive strategy to support progress and development across the Middle East and North Africa (MENA), we are working with regional partners to continue developing the Middle East and North Africa Trade and Investment Partnership (MENA TIP). With Egypt, we recently modified the designation of existing Qualifying Industrial Zones (QIZs) to make all production facilities, present and future, located in these zones potentially eligible to export goods duty-free to the United States.

In sub-Saharan Africa, which contains some of the fastest growing economies in the world, we are intensifying engagement with trading partners to advance key regional trade and investment initiatives. We continue to use the annual AGOA Forum and our TIFAs with 11 bilateral and regional partners, encompassing 37 of the 49 sub-Saharan African countries, to help address some of the policy and capacity issues that challenge U.S. businesses wishing to trade and invest with Africa, and African businesses trying to take advantage of AGOA. With the East African Community (EAC) – Burundi, Kenya, Rwanda, Tanzania, and Uganda – we are advancing a new U.S.-EAC Trade and Investment Partnership, which seeks to conclude a comprehensive U.S.-EAC trade agreement over time, beginning with an investment treaty, a trade facilitation agreement, continued trade capacity building assistance, and a commercial dialogue. In addition, under a new White House-led strategy, with an initial focus on East Africa, we are aligning additional resources and tools from across the U.S. government to support the EAC's own regional integration efforts and foster greater U.S.-EAC trade and investment.

We continue to deepen trade relationships with our partners in Central America and the Dominican Republic, both bilaterally and through the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR), and a revised Trade and Investment Framework Agreement (TIFA) with the Caribbean Community (CARICOM).

Promoting regional economic integration also remains a key objective of the Asia-Pacific Economic Cooperation (APEC) forum. The United States looks forward to working with other APEC economies in 2013 on a range of trade and investment initiatives, including the further facilitation of trade in environmental goods and services; promotion of good regulatory practices; improvement in supply chain performance; initiation of work on elimination of local content requirements; and the implementation of market-driven, non-discriminatory innovation policy.

The complex trade and economic relationship between the United States and China continues to mature and evolve. The United States has welcomed China's growing leadership role at both the regional and multilateral levels. Moving forward, we will seek to enhance cooperation toward common objectives on the basis of our shared responsibility to sustain global economic growth and stability in support of trade-related jobs. Bilateral engagement in 2012 – through the Joint Commission on Commerce and Trade and the Strategic and Economic Dialogue, as well as the Innovation Dialogue and other key working groups and bilateral fora – produced meaningful results on key trade and investment issues, though there is more work to do. In 2013, the Administration will continue to use all available tools – including dialogue, negotiation, and enforcement when appropriate – to expand opportunities for U.S. firms and workers in China's rapidly growing market. For example, we are seeking to advance BIT negotiations with China to secure improved market access, important investor protections, and increased certainty for U.S. investors. We will also engage with China on its domestic reforms to promote a greater reliance on household consumption and to promote movement away from trade-distorting industrial policies that favor state-owned enterprises and national champions. We continue to seek a comprehensive offer from China to join the WTO Government Procurement Agreement at a level commensurate with other Parties' coverage. We are closely monitoring implementation of China's bilateral and WTO commitments to respect and protect U.S. intellectual property, and we are working with China to improve intellectual property protection and enforcement,

recognizing that strong rule of law is essential to encourage and support continued innovation. At the same time, we continue to hold China accountable for its other WTO commitments through appropriate enforcement efforts that aim to end discriminatory policies wherever they are discovered in China. Whether it is challenging China's export restrictions on raw materials critical to our traditional and green technology manufacturing industries, calling China on its misuse of trade remedies, or tackling China's reliance on prohibited export subsidies to support its auto and auto parts industries, we will work relentlessly to use WTO dispute settlement to ensure that China lives up to its promises and that our workers and industries have the competitive opportunities they are entitled to under WTO rules.

Major emerging markets such as India, Russia, and Brazil also present significant opportunities to expand job-supporting trade, and therefore remain key areas of focus for U.S. trade policy.

Two-way U.S.-India trade in goods in 1980 was only \$2.8 billion; since then, it has skyrocketed to \$62.9 billion in 2012. India's impressive economic growth and development will support significantly more U.S. exports and jobs in the future, particularly if India resists adopting trade-restrictive measures and continues to open its market at a level commensurate with its increasing role in global trade. In 2013, the United States will engage with India in a variety of ways to enhance two-way trade and increase opportunities for U.S. investment in and exports to India's large and growing market. To enable U.S. investors to do business with greater certainty and predictability in India, we will continue to pursue negotiations for a high-standard BIT. We will convene the U.S.-India Trade Policy Forum to address concerns and engage with the government of India on a wide range of trade and investment issues, including concerns related to potentially trade-restrictive localization policies and SPS barriers. Through the Trade Policy Forum, the United States and India will also expand previous engagement to cooperate in areas such as manufacturing and innovation, where both countries can strengthen their respective economies in a manner that facilitates bilateral trade and investment.

Two-way U.S.-Brazil trade in goods increased 160 percent from 2000 to 2012, and both U.S. goods exports to and imports from Brazil have more than doubled since 2000. In 2013, the Administration looks forward to the next Agreement on Trade and Economic Cooperation (ATEC) meeting to be hosted by Brazil this year. To complement the Investment Dialogue we established with Brazil last year under the ATEC, we will also engage with Brazil through a new IPR and Innovation Working Group. In addition, the Administration will continue to work with Congress to find a mutually-agreeable solution to the Brazil Cotton dispute in the next farm bill.

The Administration worked closely with Congress last year to establish permanent normal trade relations with Russia, and the WTO Agreement now applies between our two countries. This year, the Administration will seek to strengthen further the U.S.-Russia trade and investment relationship through the WTO, while also continuing bilateral dialogue to address important concerns. We will monitor Russia's implementation of its WTO obligations, including those under the Sanitary and Phytosanitary Agreement, and take action as necessary to ensure U.S. exports are treated consistently with those obligations. And we will work closely with Russia on a bilateral basis to execute its action plan to improve IP rights protection and enforcement, including through the United States-Russia IPR Working Group. At the same time, we will seek

to establish with Russia new opportunities for dialogue to explore jointly additional trade-expanding policy initiatives, such as a potential TIFA.

U.S. trade preference programs are intended to provide opportunities for the world's poorest people to climb out of poverty through trade. This principle will guide the Administration's work with Congress this year to renew authorization of the GSP program, which is scheduled to expire on July 31, 2013. The GSP program, initially established in the Trade Act of 1974, helps developing countries to expand their economies by allowing many goods from these countries to be imported to the United States duty free. The GSP program also aids American manufacturing by lowering the cost of imported goods used as inputs in value-added U.S. production. As the Administration consults with Congress on the future of the GSP program, it will examine options that take into account both the needs of the world's poorest countries and the growing competitiveness of many emerging market GSP beneficiaries, as well as the impact of the program on U.S. businesses and consumers. In parallel with our conversations on GSP, the Administration will consult closely with Congress about the future of AGOA, as we seek to extend and ensure a seamless renewal of the program beyond 2015. The Administration will also continue to review beneficiary countries' compliance with the statutory GSP and AGOA eligibility criteria, including through careful monitoring and evaluation of labor, investment, and other conditions in beneficiary countries.

Respect for and protection of labor rights and the environment will remain critical elements of the Obama Administration's comprehensive trade policy moving forward. In 2013, the Administration will actively work with Colombia on continued implementation of the Action Plan Related to Labor Rights, with Guatemala to resolve the pending dispute settlement case, and with Bahrain, Jordan, the Dominican Republic, Honduras and others to address labor issues under our trade agreements. In the TPP negotiations, we will seek to ensure a high standard text that protects worker rights, helps to raise working conditions and standards, and becomes a model for other trade negotiations. We will also continue to seek strong environmental protection commitments in trade negotiations and explore additional opportunities to liberalize trade in environmental goods and services globally. In TPP, for example, we have submitted a comprehensive set of environmental proposals, including innovative elements designed to advance conservation challenges. In APEC, we will work toward implementation of the landmark 2012 commitment to reduce applied tariffs on environmental goods; seek to further address non-tariff barriers in this sector; and work to combat illegal forest products trade and promote trade in legally sourced products. Building on successful work in 2012 with the government of Peru to prevent trade in illegally-harvested forest products, the Administration will also continue to work closely with our trading partners to monitor and enforce all of the environmental obligations contained in U.S. trade agreements.

To develop and advance balanced and responsible U.S. trade policy, the Administration will continue to solicit input from diverse perspectives and pursue enhanced public engagement through a variety of means. In particular, as we seek an ambitious conclusion to TPP negotiations, we will continue to build on our unprecedented direct engagement with stakeholders, including during TPP negotiating rounds. In addition, we will maintain open channels of communication for public feedback on all aspects of the TPP, as well as new or potential future trade agreements. At the same time, the Administration will vigorously defend

and work to preserve the integrity of confidential negotiations, because they present the greatest opportunity to achieve agreements that fulfill U.S. trade negotiation objectives – which are directly aimed at supporting jobs for more Americans here at home.

In conclusion, the Administration will continue to work with willing trading partners to seek ambitious, comprehensive, and high-standard trade and investment commitments that will enhance the ability of U.S. workers, farmers, ranchers, and firms to compete here at home and on a level playing field around the world. We will continue to enforce our trade agreements rigorously to bring home their economic benefits, preserve and support additional U.S. jobs, and discourage trade-inhibiting actions that diminish economic growth. We will strengthen trade relationships in every region, partner with developing countries to share the benefits of trade more broadly, and continue to reflect and uphold American values in trade policy.

I thank the Committee for your thoughtful consideration of critical trade issues and continued support for our ambitious agenda. Working together, we can ensure that our trade policy continues to create job-supporting opportunities for all Americans.

UNITED STATES SENATE
COMMITTEE ON FINANCE
HEARING ON THE PRESIDENT'S 2013 TRADE AGENDA
MARCH 19, 2013
QUESTIONS FOR AMBASSADOR DEMETRIOS MARANTIS

Questions from Chairman Baucus

Question 1

The Administration set forth an ambitious trade agenda this year, which I commend. It is important that we keep working to expand opportunities for U.S. exporters and create American jobs here at home. I am pleased to see that the Administration will work with Congress on Trade Promotion Authority and Trade Adjustment Assistance. TPA expired in 2007, and TAA expires at the end of the year. It is critical that Congress extend both TPA and TAA. Will you commit to working with me and with my colleagues to get TPA and TAA enacted?

Answer:

Yes. We have received your clear message that Trade Promotion Authority is a priority for the Senate Finance Committee this year. We are ready to begin our work with you and others in Congress on Trade Promotion Authority legislation and to talk about the issues you have raised. As you know, in his most recent Trade Policy Agenda, the President noted the importance of Trade Promotion Authority to support jobs-focused trade initiatives. We also will address trade adjustment assistance expiration this year, to keep our own commitment to Americans in trade-impacted industries working to connect them and other displaced workers and businesses with employment services in their communities. So we are prepared for the conversation you have requested and we are looking forward to beginning to work with you.

Question 2

U.S. innovators are the best in class. They provide our economy with significant growth and many high paying jobs. Yet many countries have made a policy out of trying to free ride on U.S. innovation. For example, China and India are adopting policies that require U.S. companies to transfer their technology to local companies as a condition for market access, and governments appear to be supporting the theft of trade secrets. We have to put an end to economic espionage and the whole array of foreign government measures that erode U.S. technological competitiveness. Please explain to me what USTR is doing to end the theft of U.S. innovation.

Answer:

The Administration is determined to ensure that rules-based international trade promotes innovation and competition to the benefit of all businesses and consumers worldwide. That is why the Administration is tackling emerging problems that increasingly affect trade in the 21st century, including the serious threat to U.S. innovation from both localization barriers to trade and the theft of trade secrets and other forms of intellectual property.

We are actively combating “localization barriers to trade”—i.e., measures designed to protect, favor, or stimulate domestic industries, service providers, and/or intellectual property (IP) at the expense of goods, services, or IP from other countries. The use of these kinds of measures has increased in the last few years, especially in some of the world's largest and fastest growing markets. Building on progress made in 2012, the localization taskforce will coordinate an Administration-wide, all-hands-on-deck

approach to tackle this growing challenge in bilateral, regional, and multilateral forums, and through trade agreements, enforcement, and policy advocacy.

The United States will continue to defend aggressively millions of American jobs threatened by the wholesale theft of U.S. intellectual property, using the “Special 301” process and a broad array of other trade policy tools to identify and resolve intellectual property rights issues and related market access issues of concern.

On the issue of trade secret theft, for example, USTR is leading additional trade policy efforts to promote adequate and effective protection and enforcement of trade secrets pursuant the Administration Strategy on Mitigating the Theft of U.S. Trade Secrets. These efforts include deeper cooperation with trading partners that share U.S. interests; targeting weaknesses in trade secret protection through enhanced use of the annual Special 301 process and related tools to gather and, where appropriate, act upon information about the adequacy and effectiveness of trade secret protection by U.S. trading partners; using USTR-led trade negotiations such as for the Trans Pacific Partnership agreement to seek new provisions on trade secret protections requiring parties to make available remedies similar to those provided for in U.S. law; and continuing to raise trade secret protections as a priority issue in all appropriate bilateral, regional, and multilateral trade discussions and appropriate trade and IP-related forums.

Question 3

Last week, Japanese Prime Minister Abe announced Japan’s interest in joining the TPP negotiations. With Japan’s participation, the TPP would account for nearly forty percent of the world’s GDP. Japan has taken some important steps in the past year. I was pleased by Japan’s decision in February to begin accepting imports of beef up to 30 months in age. That was a big step in the right direction, but we still need to make sure Japan is ready to take on the TPP’s high standard commitments. Do you think that Japan is ready to join the negotiations?

Answer:

We have been engaged in bilateral TPP consultations with Japan since February 2012. In addition to raising bilateral concerns, the other key area of our work has been on Japan’s readiness to meet the comprehensive, high-standard objectives of the TPP agreement. We welcomed the statement that Japan “would join others in achieving a comprehensive, high-standard agreement, as described in the Outlines of the TPP Agreement announced by TPP Leaders on November 12, 2011,” which was included in the February 22, 2013 Joint Statement by the United States and Japan. Our bilateral consultations remain ongoing.

Question 4

With Canada now a part of the TPP negotiations, it is important to lumber producers in Montana that we push them to go beyond their NAFTA lumber commitments. First, it is important that any antidumping and countervailing duty cases involving lumber be dealt with in U.S. courts, rather than in binational panels under the NAFTA. Second, it is also important that Canada abolish its restrictions on Canadian timber exports. Our lumber mills would love to have access to Canada’s virtually unlimited supply of timber. Can you assure me these issues will be raised with Canada?

Answer:

The United States is seeking to negotiate a high-standard, comprehensive agreement in the TPP negotiations. In doing so, we intend to maintain our strong trade remedies laws and are not considering any proposals that would change or weaken them.

With respect to the North American Free Trade Agreement (NAFTA) review and dispute settlement in antidumping and countervailing duty provisions and our lumber trade with Canada, we are not considering changes to trade remedy provisions of this or other agreements.

On Canadian timber export restrictions, the United States will continue to press Canada with regard to its export policies on logs harvested from public land.

It is important to bear in mind that U.S. log exports from federal lands are currently restricted under 16 U.S. §§ 620-620j (Forest Resources Conservation and Shortage Relief (FRCSR) Act of 1990), 36 CFR 223.201 (Limitation on unprocessed timber harvested in Alaska) and 15 CFR 754.4 (Unprocessed western red cedar). As we have done in previous FTAs, the United States is seeking an exception in TPP to retain U.S. log export restrictions.

USTR continues to devote significant resources to ensuring that softwood lumber imports from Canada comply with the requirements of the 2006 Softwood Lumber Agreement (SLA). The SLA was recently extended until mid-October 2015 with the support of domestic lumber producers. As such, we do not anticipate that the provisions being negotiated in TPP will have any impact on the 2006 SLA.

Question 5

I appreciate the letter of response I received from Acting USTR Marantis regarding U.S. wheat exports to Canada. The Canadian varietal registration and grading system are putting Montana producers at a disadvantage, and it is a problem that must be addressed. The letter mentioning this issue has been raised at previous meetings of the United States-Canada Consultative Committee on Agriculture. Can I get your commitment to press this issue at those meetings until it is resolved?

Answer:

USDA and USTR will continue to raise concerns with Canada's requirements related to varietal registration and grading, and with its proposed phytosanitary requirements for weed seeds, at meetings of the U.S.-Canada Consultative Committee on Agriculture and also will continue to raise these issues with Canadian officials until they are appropriately addressed.

Question 6

The letter also mentions the Canada-United States Grain and Seed Trade Task Group which is working to identify recommendations on how to remedy this issue. Can I get your commitment to help expeditiously implement any recommendations that will help resolve this issue?

Answer:

USTR welcomes the initiative of U.S. and Canadian grain and seed producers to establish the U.S.-Canada Grain and Seed Trade Task Group. On March 26, members of my staff were pleased to participate in a meeting of this group in Washington, DC. USTR has a longstanding record of supporting efforts to open foreign markets to U.S. grain and seed exports. We look forward to working closely with U.S. industry as they develop proposals within the U.S.-Canada Grain and Seed Trade Task Group. USTR will continue to press the Canadian government to eliminate the varietal restrictions.

Question 7

I am glad the President has decided to pursue a trade agreement with the EU. This provides an opportunity to address long-standing EU barriers that are keeping out U.S. beef and other agricultural products. This will be a tough negotiation. Can I get your commitment that USTR is not going to leave

U.S. farmers and ranchers on the sidelines when the going gets tough? Will you fight for market access and against non-science-based regulations?

Answer:

The final report of the High Level Working Group on Jobs and Growth recommended that the United States and the European Union (EU) launch negotiations on a comprehensive trade and investment agreement, including the elimination of all duties on bilateral trade with a substantial elimination of tariffs upon entry into force, and a phasing out of all but the most sensitive tariffs in a short time frame. Both sides understand that a comprehensive agreement will have to include the agriculture sector. We have made it clear to our EU partners that we will press not only for the elimination of tariff and quota barriers facing our agricultural exports, but also for substantial progress in reducing SPS and TBT barriers to those exports.

While we anticipate difficult negotiations, we have made some recent progress in addressing specific EU sanitary and phytosanitary (SPS) barriers. For instance, beginning on February 25, 2013, the EU now allows the use of lactic acid as a pathogen reduction treatment for beef. We expect that this will increase the amount of high-quality beef that the United States can export to the EU. And we are hopeful that this progress can translate into productive engagement with the EU on other existing SPS barriers and on trade agreement provisions that make the development and application of these types of barriers less frequent.

Question 8

Although there has been much progress on implementing the U.S.-Korea Free Trade Agreement, there have also been some challenges. One particular issue of concern is Korea's failure to implement fully its commitment related to software utilization by government entities. How will the Administration address this important issue with Korea, and ensure that we do not encounter similar problems with other FTA partners?

Answer:

As with all our FTAs, both past and future, we work to ensure that the commitments are implemented, and, if not, that we vigorously enforce our rights. With respect to the United States-Korea Free Trade Agreement, the Administration has expressed its concerns numerous times to senior levels of the Korean government regarding the Korean government entities' use of unlicensed or under-licensed software. Consistent with the United States-Korea Free Trade Agreement, Korea issued a Presidential Decree requiring that government entities only use legal software. The Administration is making progress in working with Korea to resolve this issue and ensure that the Presidential Decree is enforced.

Question 9

Patent protection plays a critical role in ensuring the competitiveness of U.S. innovators, and creating jobs and growth in my home state of Montana and across the United States. The WTO Agreement on Trade-Related Aspect of Intellectual Property (TRIPS) and the North American Free Trade Agreement (NAFTA) both require signatory countries to make patents available for all inventions that are new, non-obvious and useful. Canadian courts, however, have developed a heightened standard for usefulness that diverges significantly from that of other countries. The application of this new standard has now resulted in the invalidation of patents held by U.S. pharmaceutical companies, and created significant uncertainty for U.S. companies seeking patent protection in Canada. What is USTR doing to address this problematic interpretation and application of Canadian patent law?

Answer:

As you know, we have had longstanding concerns on IP issues with Canada, as well as some recent notable improvements. With respect to the emerging utility test that Canadian courts have been applying to pharmaceutical patents in some cases, we are troubled by the negative consequences this test is having on U.S. patent holders. USTR is working with representatives of the affected companies and industries to ensure that we fully understand the issue and its possible solutions, and to engage with the government of Canada with a view to ensuring that U.S. inventors continue to enjoy adequate and effective protection of patent rights in Canada in line with relevant international norms.

Questions from Senator Hatch**Question 1**

For the past several years this Committee has pressed the Administration to focus on a results-oriented strategy to address the problems that U.S. industry is facing by China's lack of enforcement of IP, including in the area of software. We have encouraged the setting of objective, measurable benchmarks to show success in reducing IPR infringement. Please give us a status report on your pursuit of metrics.

It appears that there was some progress with the Special Campaign, albeit incremental, in terms of China's cleaning up the use of pirated product by the Central Government. What is the situation with respect to State-owned, and financial and large enterprises, including those that are publicly-traded?

Many of these actors engage in substantial commercial activity in China and are formidable in global markets. The standard practice for businesses and financial institutions is to annually implement independent software verification. A third-party software verification would certainly be a good way to move forward and remove some of the tensions that we have seen. How can we help you persuade China to establish a commonly-recognized mechanism of independent software verification?

Answer:

The Administration has worked hard to protect American IPR in China, and to reduce the export of infringing products made in China, through a variety of mechanisms—including results-oriented dialogue on IPR protection and enforcement, the annual Special 301 Report, and enforcing international rules to protect American intellectual property and market access through the WTO. In response to our efforts over the past four years, China has taken unprecedented steps to set up mechanisms that can curb the problem of software piracy, and we are pressing to see concrete change on the ground.

With respect to metrics specifically, China committed, in the 2012 Strategic and Economic Dialogue to “creat[ing] an environment ... where[...] the level of sales of legitimate IP-intensive products and services increases, reflecting economic growth and in line with the two countries' status as globally significant producers and consumers.” We have been working with rights holders to obtain the information necessary to ascertain whether this metric is being met.

With respect to software piracy, China has made several commitments to tackle this problem, including:

- China agreed at the 2010 JCCT to establish software asset management systems at government agencies, to allocate budgets for software purchases, and to promote the use of licensed software at enterprises.

- At the 2011 State Visit of President Hu, China further bolstered its commitment to software legalization by agreeing to conduct financial audits focused on the use of legal software in government agencies and to publish the audit results.
- At the 2011 S&ED, China agreed to improve its high-level, long-term IPR protection and enforcement mechanism and strengthen its government inspection mechanism to make sure that software being used by government agencies at all levels is legitimate.
- In the 2011 JCCT, China committed to increase resources devoted to conducting audits and inspections, and to further improve management of their software assets, including by the use of technical means. China also agreed to further promote the use of licensed software in enterprises and conduct additional enterprise software management pilot projects beyond the 30 SOE pilot projects it has underway.
- At the 2012 S&ED, in addition to the language on legitimate sales, China noted that it had incorporated the software assets into the government assets management system, and reflects the expenditures on information network and software procurement and updates in the budget accounts, and, building on the initial priority enterprises pilot project, is to extend its legalization efforts in the enterprise sector.
- In the 2012 JCCT, China confirmed that it requires state-owned enterprises under the authority of the China Banking Regulatory Commission and central state-owned enterprises directly supervised by the State-Owned Assets Supervision and Administration Commission of the State Council to purchase and use legitimate software, including but not limited to operating system and office suite software.

Securing these commitments required significant coordination across relevant agencies. While we must see how these steps work out in practice, and much more work remains to be done, China's recent commitments mark a significant opportunity for genuine progress on this difficult issue. We will be following up aggressively through both the S&ED and JCCT processes that are underway for 2013.

Question 2

The European Medicines Agency (EMA) has instituted a new policy to release upon request biopharmaceutical companies' non-public clinical and pre-clinical data and reports that are submitted as part of marketing applications in Europe. The current and proposed policies of the EMA to disclose the entire non-clinical and clinical portions of marketing authorization dossiers—thousands of pages that include proprietary research plans and strategies, methods, raw data, regulatory communications, and analysis, which have been submitted in confidence to regulators—will provide little or no incremental value to patients or healthcare professionals. In fact, the primary beneficiaries of such non-public information would be competitors who wish to free-ride off the investments of innovators. Moreover, disclosure of such confidential clinical and pre-clinical data is inconsistent with the WTO TRIPS Agreement, which sets forth WTO member obligations regarding intellectual property. Under TRIPS, the EMA is obliged to keep such data confidential, unless the disclosure is necessary to protect the public or the EMA takes steps to prevent unfair commercial use of the data. The European Commission has consistently interpreted this obligation—including in recent treaties—to mean that the information in marketing applications should not be disclosed beyond the regulatory reviewers. What is USTR doing to enforce the TRIPS agreement and protect biopharmaceutical companies' non-public testing data from public disclosure by the EMA? How will USTR ensure that the proposed Transatlantic Trade and

Investment Partnership protects incentives for U.S. and European biopharmaceutical companies to invest in innovative medical research to benefit patients?

Answer:

The United States continues to support and to advance the protection of proprietary test and other data provided as a condition of marketing approval for agricultural, chemical, and pharmaceutical products, including biopharmaceuticals, consistent with international obligations. We have worked closely with the EU in the past to address specific instances of concern, and will continue to collaborate with the EU through all appropriate channels. We look forward to ongoing consultations with you and other members of Congress regarding the Transatlantic Trade and Investment Partnership, including with respect to the protection and enforcement of intellectual property rights.

Question 3

At the 2012 US-China Joint Commission on Commerce and Trade (JCCT) Plenary Meeting, China agreed to the following commitment:

“To promote scientific advancement and to establish effective regulatory data protection, China agreed to define new chemical entity in a manner consistent with international research and development practices in order to ensure regulatory data of pharmaceutical products are protected against unfair commercial use and unauthorized disclosure.”

What is the US Government's plan for ensuring 2013 implementation of this commitment?

Answer:

We will pursue implementation systematically. We will engage China intensively through expert working groups on both pharmaceuticals and on intellectual property, including discussing the details of international R&D practices this month with Chinese officials and U.S. stakeholders. We are also simultaneously reviewing the legal actions we believe China will have to take to incorporate a new definition into relevant measures. Further, we will flag the need for robust and swift implementation in high level interactions with China, including the vice minister level mid-year review of 2012 JCCT commitments which normally occurs during the summer. We will remain in close consultation with stakeholders throughout this process.

Question 4

There is a lot of talk about the benefits of exports, but we often neglect the benefit of imports. I was interested to see a recent economist's report that found that more than 70% of the retail value of imported apparel sold in the United States is created by American workers, even though the final assembly was completed abroad and most of the materials were also sourced overseas. Your predecessor, Ambassador Ron Kirk, is even quoted in the study, saying “when a shipment of your products arrive in America, an army of workers goes into motion. . . .” The U.S. apparel and retail industries employ millions of U.S. workers that rely on apparel imports. How does US trade policy promote US jobs that are sustained by imports, particularly in sectors with very high import penetration such as apparel or footwear?

Answer:

Our trade policy has long recognized the overall economic benefits of trade liberalization, including in sensitive sectors such as apparel and footwear. We have continually liberalized tariffs and eliminated non-tariff barriers over the long term through agreements under the World Trade Organization (WTO). For example, the WTO Agreement on Textiles and Clothing eliminated the textile and apparel quota

regime. We continue to pursue bilateral and plurilateral free trade agreements which eliminate tariffs altogether on apparel and footwear products. In addition, we are committed to reaching agreements, whether under the WTO or bilaterally, on customs facilitation measures in order to further promote two-way trade.

I note that your question does not specifically cite to the economist's report findings on the value added in the U.S. of imported apparel that is created by American workers, so I am unable to comment specifically on your point. However, caution should generally be used in interpreting these data, as some reports include profit and mark-up in the U.S. value calculations, in addition to the value created by productive activities.

Question 5

In light of the growth of the Internet as a channel for trade in services and digital products, are cross-border data issues a priority for the United States in TPP, the ISA and the TTIP with the EU? How does USTR plan to address these issues in new trade agreements?

Important issues of privacy and security have made the negotiation of cross-border data commitments in trade agreements more complicated. The data issue affects all industries, from the providers of the services as well as those industries that depend on the services in order to do business, manage inventory or be compensated. The EU is now working on its own data privacy regulations, with an aggressive timetable that doesn't seem to be connected in any way to the trade negotiations launched by the High Level Working Group. How does the Administration plan to bring clarity to the US-EU negotiations on the issue of data flows and protection? How will you ensure that the commercial interests of our companies are treated fairly and that we don't create disguised barriers to trade, while addressing security and privacy needs appropriately?

Answer:

The free flow of data across borders is a key priority for the United States in the negotiations for a Trans-Pacific Partnership (TPP) agreement, the Trade In Services Agreement (TISA), and the Transatlantic Trade and Investment Partnership (TTIP) agreement. Free movement of data across borders facilitates trade in many sectors, including sectors enabled in whole or in part by the Internet. USTR has proposed in the TPP several commitments that would work to secure a predictable set of rules for the movement of data across borders. These include proposed commitments not to unreasonably restrict access to and the transfer of information across borders or to impose unreasonable requirements concerning the location of computing facilities. USTR has also proposed rules providing for non-discriminatory treatment of digital products.

In the TPP, USTR's proposals for the cross border movement of data would create an obligation for TPP partners to allow our companies to transfer information across borders, recognizing the legitimacy of appropriate privacy and security protections. With respect to the EU, we are deeply engaged with them with respect to the implementation of the U.S.-EU Safe Harbour framework and the proposed Data Privacy Directive.

Questions from Senator Brown

Question 1

As you know, the United States has a substantial trade deficit. When the Administration discusses the benefits of trade agreements, it disproportionally focuses on the benefits of exports, without a meaningful discussion of the impact that imports have on domestic job creation. The Administration claims that each \$1 billion in exports of manufactured goods supports around 5,200 jobs. How was this figure calculated? Of the claimed 5,200 jobs supported, how many are new jobs?

Answer:

The Department of Commerce has estimated that 5,359 jobs were supported for every \$1 billion of goods exports. The methodology that Commerce used can be found in the site below:

http://www.trade.gov/mas/ian/build/groups/public/@tg_ian/documents/webcontent/tg_ian_004021.pdf.

Overall, 9.8 million jobs were supported by goods and services exports in 2012, this was an increase from 9.7 million jobs in 2011 and 8.5 million jobs in 2009.

Question 2

Ambassador Marantis stated that 50 % of all U.S. imports are intermediate products used by U.S. companies to make finished goods that are then sold in the domestic market or exported. Are these imports of intermediate products displacing sales of domestically produced goods? Have you estimated the overall manufacturing job losses resulting from increasing imports? How do you calculate the overall U.S. economic benefit or cost in terms of jobs and revenue for imports of intermediate goods versus final goods?

Answer:

To my knowledge, there is no Government estimate on the effect of all imports on jobs. Unlike exports that can be directly measured, the relationship between imports and jobs is more complex. Exports and imports do not have the same effect on production or jobs. As noted, imports are often either inputs in U.S. production, commodities, or products we do not typically make in the United States. So while some imports displace jobs, some have no effect on jobs and some are used by our domestic economy to create or support existing U.S. jobs. Moreover, imports are driven by other factors such as the economy, the pace of consumption, and not necessarily by a single trade agreement.

On the other hand, measuring the effect of exports is straight forward because it is looking at American workers who produce those goods and services. American businesses, large and small, rely on imports for inputs to build our sophisticated manufactured goods, make processed foods, and create other job-supporting American goods.

Question 3

I have heard from representatives of the steel industry that they are concerned with the surge in steel imports from a number of countries due in large part to an overcapacity of world-wide steel production. This overcapacity is a result of both government interference in domestic markets and a weakened global economy. China, for example, continues to provide massive subsidies to its steel industry, allowing it to build steelmaking capacity far in excess of its home market demand. Last fall, Brazil doubled its steel tariffs to 25% to keep out imports, no doubt diverting even more excess supply to the U.S. market. For those of us who were around during the last steel crisis in the late 1990s and early 2000s, this is very troubling. What is the Administration planning to do to address this issue?

Answer:

We see the steel industry as a critical partner in the development of our trade policy and enforcement efforts and have been working closely with it to ensure the rules-based trading system works as it should to help producers and workers in the United States. In November 2012, Ambassador Kirk and Acting Commerce Secretary Blank met with leaders of 11 steel manufacturers to discuss their concerns about global steel capacity and increasing imports.

As you know, we have been the most active U.S. administration on WTO enforcement activities. Through WTO dispute settlement, we are successfully challenging several Chinese government practices that have provided unfair advantages to the Chinese steel industry, including the imposition of antidumping and countervailing duties against U.S. exports of certain Grain Oriented Electrical Steel (GOES) and export restraints on raw material inputs for steel-making.

In addition, the Administration is committed to strong enforcement of U.S. trade remedy laws. Commerce already has AD and/or CVD orders in effect on imports of 112 steel-related products from various countries, including Argentina, Brazil, China, India, Indonesia, Japan, Korea, Mexico, Russia, Taiwan, Thailand, Turkey and Ukraine.

However, litigation and trade law enforcement alone may not always be the most appropriate or effective means of addressing foreign government intervention in the steel sector, so we are also working closely with industry to step up our trade diplomacy on steel excess capacity issues.

We are concerned that China, which currently produces 47 percent of global steel production, is continuing to increase its steel capacity, despite slowing demand in China and globally. China has acknowledged its excess capacity problem, which is only getting worse, and contributes to significant increases in exports of low-priced Chinese steel to global markets, including the United States. Excess capacity in global markets hurts not only weak and inefficient steel producers, it also undercuts the ability of efficient producers in the U.S. market to compete. Ambassador Kirk raised these concerns directly with Chinese Vice Premier Wang Qishan at the December 2012 Joint Commission on Commerce and Trade meeting.

In addition to our high-level contact with China, in the past few months, we have raised concerns about government policies that contribute to global steel excess capacity in bilateral meetings with Japan, Korea, Turkey and Ukraine. For example, in response to Brazil's announced plan in September 2012 to increase steel import tariffs from 12 to 25 percent, Ambassador Kirk sent a letter to Foreign Minister Patriota strenuously objecting to that action. We also included these tariff increases in the October 31, 2012 report to the WTO on trade restrictive measures taken by G20 members and raised our concerns about Brazil's tariff increases at the OECD Steel Committee on December 2, 2012. Brazil's higher tariffs may displace more steel from Asia and other countries to the North American market, while also making it more difficult for U.S. exporters to compete in the Brazilian market.

We are also actively working with like-minded trading partners such as the European Union, Canada and Mexico in upcoming multilateral meetings of the WTO, OECD Steel Committee and North American Steel Trade Committee to press other governments to avoid policies that support excess steel capacity and distort steel trade.

We remain committed to working with the steel industry and other industries to enforce U.S. trade rights by identifying and addressing foreign trade barriers and unfair trade practices to achieve the best trade outcomes for U.S. stakeholders.

Question 4

I understand that in the context of targeted dumping, the Administration has recently announced measures that may arguably weaken our laws even beyond what the WTO has ordered in the zeroing decisions. Could you explain the Administration's actions in this regard?

Answer:

This Administration has an unparalleled record of both enforcing U.S. trade remedy laws domestically, and of defending U.S. trade remedy actions in the WTO. We would highlight, for example, the safeguard on tires from China, and our successful defense of the safeguard in the WTO.

This Administration also surveyed the Department of Commerce's trade remedy practices in order to determine how to improve the effectiveness of its existing enforcement tools through administrative and regulatory changes. Based on this review, Commerce developed a number of proposals to help strengthen the administration of the nation's antidumping and countervailing duty laws, most of which have been fully implemented.

The Administration fully agrees that it is important to have strong methodologies to address situations of targeted or masked dumping. The Administration has expended great efforts in this area, and has been consulting closely with Congress and stakeholders. Recently, the Administration has issued some decisions outlining an approach that we believe is both smart and effective. We will continue to consult with Congress and stakeholders as our approach evolves.

Question 5

The President and Administration officials are looking for ways to boost domestic manufacturing and to help businesses that want to continue to manufacture in the U.S. find ways to stay here. As you know, there is a small but vibrant group of companies, including New Balance, that continue to manufacture shoes and boots in the United States and are committed to doing so. These companies employ more than 4,000 Americans. They have asked USTR to maintain the 24 import-sensitive duties that help level the playing field for U.S. manufacturers and allow these companies to manufacture here competitively. These tariffs have been on the books for decades and have not impeded market entry from Vietnam and China, which collectively account for more than 90 percent of all the footwear bought in the United States. In fact, only 1 percent of footwear is still made in the U.S., so we know there isn't a market access issue for imports. What guarantees can USTR provide me that it will maintain these duties to protect the remaining footwear production in the U.S. and its workers?

Answer:

We understand the concerns of footwear companies that manufacture in the United States and keep these concerns in mind as we negotiate trade agreements.

We have worked to provide import-sensitive footwear with special treatment during trade negotiations. For example, in past FTAs, the duties on these products have been subject to the longest staging periods that we use for any industrial goods. In our current and upcoming trade agreement negotiations, the treatment of footwear will depend on our partners' ambitions with regard to market access for U.S. exports. A variety of approaches to tariffs for import-sensitive footwear products is possible, and these will emerge in the course of the negotiations.

Question 6

What are the priorities for the Interagency Trade Enforcement Center (ITEC) for the coming year? How is the ITEC assisting Small and Medium-sized Enterprises?

Answer: ITEC will be addressing trade enforcement issues originating in a variety of regions across the globe. It would not be appropriate for us to identify publicly the priority trade practices that ITEC will seek to examine in the near term. Just as we do not discuss publicly our specific enforcement activities prior to seeking WTO consultations, we would not do so regarding the specific near-term ITEC priorities. We would be pleased to provide a separate, non-public briefing on this issue if that would be helpful.

Small and medium-sized enterprises (SMEs) are encouraged to continue to report their specific market access problems to the Trade Compliance Center (TCC) at the Department of Commerce. If the TCC is unable to resolve an issue, especially when it has noted a trend, the TCC will report the problem to ITEC. By leveraging the expertise of the TCC, ITEC will have a head start on dealing with trade issues that are affecting SMEs. Small and medium-sized enterprises may also work through their associations to bring industry-wide problems to the attention of ITEC.

Question 7

American auto and auto parts workers have proven the ability to overcome challenges and compete on a global scale, but such export subsidies, prohibited by the WTO, harm U.S. competitiveness. What more can you share regarding the status of negotiations with the Chinese government related to the U.S.'s WTO challenge to export subsidies provided to Chinese auto and auto parts industries?

Answer:

The United States filed a WTO dispute in September 2012 challenging China's provision of what appear to be prohibited export subsidies to auto and auto-parts enterprises located in designated regions known as "export bases." Export subsidies are considered so trade distorting that they are prohibited outright under WTO rules. The challenged subsidies provide an unfair advantage to auto and auto parts manufacturers located in China.

We conducted formal consultations with China in November of last year and continued our engagement with China after consultations on some technical issues related to the challenged measures. Since then, we have been evaluating the results of the consultations with China, examining China's measures, and conducting further research on those measures.

We anticipate further engagement with China during this consultations phase to seek a comprehensive solution to this dispute and will take all actions necessary to ensure that China meets its obligations under the WTO.

Question 8

The President's Trade Policy Agenda for 2013 includes little discussion, beyond mention of a few meetings in the WTO, on the issue of currency misalignment and the need to address exchange rate policies that make our exports more expensive and imports even cheaper. But as we consider the TPP, will USTR propose provisions to address currency manipulation? How can our exporters and workers take advantage of new markets in a country like Japan, when the advantage can be offset through governments intervening in currencies?

Answer:

We have received significant input from Members of Congress and stakeholders on the currency issue. We agree this is an important issue and we are continuing to consult internally on it.

Questions from Senator Isakson

Question 1

The U.S. and EU recently announced their intention to begin negotiations on the Transatlantic Trade and Investment Partnership (TTIP) which is intended to be a comprehensive agreement that will address both market access issues and regulatory barriers. A recent study by the Center for European Policy Studies (CEPS) suggests that the agreement will be a key tool in reducing regulatory barriers and estimates that 80 percent of the gains from the TTIP will come from addressing regulatory burdens with respect to the services and procurement sectors. In light of the enormous potential economic benefits to the US that will result from a comprehensive TTIP which reduces regulatory burdens, we are interested in your views on whether the Administration is considering excluding any sectors from the TTIP.

Answer:

Our goal is to identify new ways to improve market access, reduce unnecessary costs and to prevent non-tariff barriers from limiting the capacity of U.S. firms to innovate and compete in world markets. Therefore, we will not automatically exclude any sectors from the TTIP discussion with the EU. All sectors could potentially benefit from improved market access and horizontal regulatory disciplines. In addition, we have been consulting with both stakeholders and regulators to identify sectors for additional regulatory disciplines.

Question 2

I understand you are consulting on insurance issues as part of your bilateral TPP consultations with the Japanese Government. How are you planning to address the level playing field concerns expressed by US industry in this regard?

Answer:

Addressing concerns so as to achieve a level playing field with regard to Japan Post Insurance (JPI) is an integral part of our trade agenda with Japan. We have emphasized the importance of implementing a standstill on the Japanese Government's approval of new JPI products, as well as addressing concerns regarding the existence of a level playing field for the insurance industry in Japan, bilaterally and in the context of Japan's possible participation in the TPP negotiations. We continue to consult closely with the U.S. insurance industry regarding Japan's interest in TPP.

Questions from Senator Cornyn

Question 1

Japanese leaders recently signaled a desire to join the Trans-Pacific Partnership (TPP) trade negotiations. This development is encouraging and notable, as Japan is one of the greatest and most developed economies on Earth. A key concern is that Japanese leaders may try to insulate certain domestic sectors, such as agriculture, from US exports in the TPP negotiations at all costs. Such an outcome is unacceptable to farmers in Texas, and I urge you to refuse any such pre-conditions as you enter discussions with Japan.

For example, it is critical for rice growers in the State of Texas that the Administration insists Japan offer additional market access for US rice exports in TPP negotiations. The domestic rice industry, with US government support, has worked for nearly two decades to open, establish, and grow the market in Japan for US rice. The TPP negotiations offer the opportunity to bring this commitment and investment

to the next level by securing meaningful improvements in market access. What assurance can the Administration give to US rice growers that it will not categorically exclude rice from TPP negotiations?

Answer:

As Japan currently ranks as the fourth largest export destination for U.S. agricultural products, Japan's possible participation in the TPP negotiations would present significant new opportunities for U.S. exports. Japan's Government has confirmed that should Japan join the negotiations, it would subject all goods to negotiation. Japan has further confirmed that it would join others in achieving a comprehensive, high-standard agreement. We are fully aware of our rice industry's views on ensuring that rice is included in the TPP negotiations, and are committed to seeking expanded access for U.S. rice should Japan join the negotiations.

Question 2

How does the Administration intend to engage the domestic rice industry in developing a negotiating strategy that advances market access for U.S. rice?

Answer:

The Administration works closely with the domestic rice industry on an ongoing basis. The U.S. rice industry is well-represented within the formal, jointly administered USTR/USDA advisory committee process, through which we seek input and advice relating to the formulation and execution of the Administration's trade agenda. In addition, rice industry representatives routinely, and frequently, engage with USTR on an ad hoc basis on a diverse range of issues, including ongoing trade agreement negotiations, the implementation and administration of existing agreements, and numerous country and /issue-specific matters that arise. We believe there is an excellent track record of coordination and cooperation on these initiatives and issues, through both formal and informal mechanisms, and we look forward to maintaining and building upon those efforts going forward.

Question 3

Another encouraging trade development is the President's announcement of the Transatlantic Trade and Investment Partnership (TTIP) with the European Union (EU.) Texas exports more goods and services to the EU than any other state, and additional gains are possible by further reducing tariffs and eliminating non-tariff barriers to trade. The EU's agricultural import policy is notorious for relying on non-tariff barriers to protect European crop and livestock growers. The TTIP is the forum to secure reductions in such barriers.

A key tariff reduction priority is eliminating all duties and quotas on milled rice exports from the US to Europe. The EU tariff structure severely restricts the commercial viability of US milled rice in much of the Europe. How does the administration intend to obtain duty-free trade in milled rice in a TTIP agreement?

Answer:

Eliminating tariffs and quantitative restrictions, including for agricultural products such as rice, is a key recommendation of the High Level Working Group on Jobs and Growth report of February 11, 2013. Our goal in the negotiation is to seek to eliminate all tariffs and other duties and charges bilateral trade in agricultural, industrial, and consumer products, with a substantial elimination of tariffs upon entry into force of an agreement, and a phasing out of all but the most sensitive tariffs.

Question 4

Despite facing these tariff challenges, parts of Europe were once a premier market for long grain rice from the Southern growing region, including Texas. However, rice exports to the EU were decimated following an accidental release of a non-approved rice variety in 2006. Although the domestic industry has taken measures to correct the problem, the EU's extreme regulatory policy has prevented restoration of the commercial markets in Europe for US long grain rice. Please identify how the Administration intends to correct protectionist European regulatory policies, such as those preventing US rice from regaining its market competitiveness.

Answer:

We recognize that our negotiations with the EU will need to address sanitary and phytosanitary (SPS) measures, including those related to biotechnology products. We intend to develop an ambitious "SPS-plus" chapter that builds on key principles of the World Trade Organization (WTO) SPS Agreement, including commitments that each side's SPS measures be based on science and on international standards or scientific risk assessments, applied only to the extent necessary to protect human, animal, or plant life or health, and developed in a transparent manner, without undue delay, and establishes an on-going mechanism for improved dialogue and cooperation on addressing bilateral SPS issues chapter.

Question 5

Texas beef also faces blanket non-tariff barriers in Europe. Too often are US beef exports blocked based on arbitrary, and often politically charged, regulatory policies such as those outlawing certain livestock feed additives—even those recognized as safe by international sanctioning bodies. Any agreement with the EU must include mutual and binding science-based food safety regulations such as those made by respected sanctioning bodies including the World Organization for Animal Health (OIE) and the Codex Alimentarius (Codex.) Can Texas cattle ranchers and feeders count on the Administration to insist that EU import regulations incorporate internationally recognized safety standards, including those on feed additives?

Answer:

In the High-Level Working Group on Jobs and Growth, which recommended in February 2013 that the United States and the European Union (EU) pursue comprehensive trade negotiations, the EU assured us they are prepared to work toward an ambitious outcome in the food and agricultural sectors, including food safety and animal health measures. We have made it clear that in a comprehensive agreement we will press not only for the elimination of tariff and quota barriers facing our agricultural exports, but also for substantial progress in reducing SPS and TBT barriers to those exports.

While negotiations will be difficult in some areas, there has been some recent progress on specific EU SPS measures. On February 25, 2013, the EU began allowing the use of lactic acid as a pathogen reduction treatment for beef. This will provide opportunities for U.S. exporters to increase non-hormone treated beef exports to the EU. We are hopeful that this progress can translate into productive engagement with the EU on existing SPS barriers and on trade agreement provisions that will prevent future barriers.

Question 6

As an aside, the US government must also agree to abide by science-based regulatory standards for food imports. It is time for the Department of Agriculture to finalize health and safety regulations pertaining to imported beef. Can you please explain what interaction the USTR office has had with the USDA to ensure that our beef import regulations mirror the regulations we are seeking abroad?

Answer:

USTR consults with USDA on regulatory actions that will affect trade, both directly on key issues and through the inter-agency process that the Office of Management and Budget conducts to ensure that our domestic regulations are consistent with our international obligations. USTR recognizes the contribution of science-based international standards to facilitating international trade. Much of our success in re-opening markets for U.S. beef in the past ten years has relied on the relevant international guidelines for bovine spongiform encephalopathy (BSE), and USTR supports aligning U.S. import requirements with those guidelines as proposed in USDA's pending BSE comprehensive rule.

Questions from Senator Bennet**Question 1&2**

Agriculture Secretary Vilsack announced last February that USDA resolved dozens of export disputes in 2012 that freed up an estimated \$4 billion in agricultural exports and protected 30,000 jobs here at home. Some of these disputes might seem small, but for places like Colorado—where for years, our potato producers have been fighting to increase market access in Mexico kilometer by kilometer—they represent tremendous opportunities for growth. Can you provide some more detail about the Administration's plans for breaking down trade barriers for U.S. agricultural products in 2013?

Agriculture is one of Colorado's most significant growth engines, contributing \$40 billion annually to the state economy. Finding ways to harness overseas demand has been at the forefront of agriculture's success story. Could you please speak more on the opportunities and challenges for farmers, ranchers, and all of agriculture as we look toward expanding our trade relationships with Europe and Asia over the next several years?

Answer:

(For both Question 1 & 2) USTR works closely with USDA in proactively addressing and resolving market access barriers to support the expansion of export opportunities for America's farmers and ranchers around the world. In 2013, USTR is continuing its focused efforts relating to the implementation, monitoring, and enforcement of existing trade agreements, including the three most recent agreements that entered into effect last year with Korea, Colombia, and Panama. In addition, we are pursuing ambitious trade agreement negotiations with the Trans-Pacific Partnership (TPP) countries, and will soon be initiating negotiations with the European Union. Through the elimination of import tariffs and other market access barriers, a TPP agreement will provide the United States with significant opportunities to expand agricultural exports to the Asia-Pacific region. The TPP also provides an opportunity to promote transparent and science-based rules on food safety, and animal or plant life or health. The EU holds significant potential for further growth should existing tariffs, quotas, and non-tariff measures, including SPS constraints, be addressed. Finally, we are continuing to work on a daily basis to address trade problems that arise for specific sectors, and in some cases specific shippers, in markets around the world, including expanded market access for U.S. potatoes to Mexico.

Questions from Senator Cantwell

Question 1

During President Obama's first term the Administration made clear that Intellectual Property Rights (IPR) was at the top of the United States' economic agenda and a priority for US-China bilateral engagement. Does the Administration intend to pursue the IPR issue with similar attention in the second term? How does the Office of the U.S. Trade Representative plan to engage the Chinese authorities on the question of IPR, and what is your office's strategy for avoiding a slow-down in efforts due to a change in China's Leadership? Is there more that the Senate can do to help convey the message to China that it needs focus on enhancing IPR protection programs? Does USTR or other offices in the Administration need more tools to accomplish this?

Answer:

Creativity and innovation are the engines of the American economy. According to industry estimates, IP-intensive industries employ about 18 million Americans. Countries that fail to respect U.S. intellectual property, either by failing to implement or enforce laws that adequately protect American intellectual property, or creating policies that disadvantage U.S. right holders, put American workers and businesses at a disadvantage. The Administration continues to be committed to working with all of America's trading partners, including most notably China, to secure adequate and effective intellectual property safeguards wherever American goods and services are sold.

The Administration will continue working to protect American IPR in China, and to reduce the export of infringing products made in China, through a variety of mechanisms—including results-oriented dialogue on IPR protection and enforcement, the annual Special 301 Report, and enforcing international rules to protect American intellectual property and market access through the WTO. The Administration will continue to pursue this strategy in close coordination with other relevant U.S. agencies, stakeholders, trading partners, and Congress. In addition, USTR works closely with the U.S. Intellectual Property Enforcement Coordinator's Office, and the U.S. Department of Homeland Security—including U.S. Customs and Border Protection and U.S. Immigration and Customs Enforcement—, among many others agencies, to consider additional steps the United States can take to protect ourselves from these illegal and, in some cases, dangerous imports.

Question 2

Last year China prohibited all fresh apples from Washington, Oregon and Idaho, claiming sanitary and phyto-sanitary issues. Since that time the Chinese market has remained closed, despite efforts to find a protocol that is acceptable to the Chinese, including inviting a Chinese scientist to Washington to tour apple orchards and processing facilities. What actions is USTR taking to open China's market to U.S. apple varieties and fresh potatoes?

Answer:

China maintains a suspension on shipments of apples from Washington State due to sanitary and phytosanitary (SPS) concerns, although China continues to allow imports of apples from Oregon and Idaho. To address this suspension, USDA hosted a Chinese technical delegation to discuss an acceptable protocol which would address the fungal pathogen issue. USTR continues to work with USDA and China to resolve this issue. USTR also continues to raise the importance of market access for fresh U.S. potatoes with China in our bilateral trade meetings.

Questions from Senator Burr

Question 1

The EU committed under the 2009 US/EU Banana Agreement not to return to discriminatory and restrictive banana tariff rate quotas and licenses, but has recently approved new legislation requiring licenses and quantitative limits on banana imports from certain Latin American countries. In view of the United States' right under the 2009 Agreement not to settle the case if the EU is not in compliance with its 2009 commitments, please explain how these new arrangements will be administered in the EU and covered countries, what administrative requirements are still unknown, and what steps USTR is taking to maintain all U.S. legal rights until full compliance can be assured.

Answer:

We have been in frequent contact with representatives of the two U.S. companies, Chiquita and Dole, who have expressed the greatest interest in developments connected to the EU's bananas trade.

At the companies' request, we have approached the European Commission and the governments of Costa Rica and Panama in an attempt to clarify how the bananas-related requirements of the EU-Central American free trade agreement (FTA) will be implemented in practice. We have repeatedly made the point to all concerned that the implementing measures should not place new burdens on U.S. firms.

We have been informed by the European Commission and by officials of two of the Central American exporting countries that FTA bananas-related requirements are not designed to be burdensome on U.S. company operations.

Since these requirements are not yet being implemented in practice (the FTA has not yet entered into force), we will need to monitor their implementation in the months ahead and will remain in contact with both European and Central American officials to clarify our understanding of the process.

The U.S.-EU Bananas Agreement entered into force on January 24, 2013. Under the terms of the Agreement, the U.S.-EU WTO dispute settlement proceeding "shall be settled as between the United States and the EU...(i)mmediately after" the various bananas-related disputes and claims are settled between Latin American banana exporting countries and the EU. On November 8, 2012, the EU and Latin American countries announced they had settled those disputes and claims.

The Agreement further provides that the requirement to settle the U.S.-EU dispute settlement proceeding will not apply if the EU fails to fulfill the undertakings to which it committed under paragraph three of the Agreement (i.e., application of an MFN tariff-only banana import regime and no application of any measure that discriminates between suppliers of banana distribution services).

Before taking any action to settle the U.S.-EU dispute settlement proceeding, we will consider whether the EU has failed to fulfill these undertakings.

Question 2

The Administration has said that USTR is proceeding with the Trans-Pacific Partnership Agreement as if it has Trade Promotion Authority (TPA), and the most recent version of TPA spelled out that in the case of intellectual property rights, the objective was to obtain a standard of protection similar to that found in U.S. law. Current U.S. law regarding data-protection for biologics is set at 12 years, and Congress voted specifically on that issue. If you are operating as if you have TPA, why have you not sought the 12 years as set by current U.S. law during these negotiations?

Answer:

We share a clear appreciation that biologic drugs are a vital area of pharmaceutical innovation, now and in the future. We have been discussing this issue with our trading partners, Members of Congress, and with stakeholders. We have not made a specific proposal for a longer term for biologics pending further discussions with our partners on how this issue should be included in the agreement. We appreciate your continuing input on this important issue as those discussions continue.

Question 3

Last year, USTR proposed a “safe harbor” for tobacco in the Trans-Pacific Partnership Agreement. This proposal would have wide implications for the American economy as it sets a precedent for how other sectors may be treated in future free trade agreements both by the United States and other countries. Has USTR made a decision on this proposal? Will Congress be consulted before any language on this is tabled?

Answer:

We received significant input from Congress and stakeholders on how to treat tobacco and tobacco products in the TPP negotiations. Last year, we developed an initial draft proposal, which we discussed with Congress and stakeholders. We are considering their feedback on this proposal and have not yet made a decision on how best to proceed. As with all other proposals we have developed for TPP, we will consult closely with Congress before tabling any text for the TPP negotiations.

Question 4

Last year after the UN’s Codex Alimentarius adopted science-based maximum residue levels (MRLs) for ractopamine, the government of Taiwan approved a maximum residue level for ractopamine in beef. However, the government of Taiwan did not revise its position on U.S. pork. What actions is USTR taking to address this?

Answer:

Taiwan continues to prohibit imports of pork with residues of ractopamine. We continue to press Taiwan to adopt international standards for ractopamine in pork, at every opportunity. Ambassador Marantis stressed the importance of resolving this important issue with Taiwan trade and agricultural officials during the March 10 meeting of the Trade and Investment Framework (TIFA) Council and reiterated this message in bilateral meetings, including with Taiwan President Ma Ying-Jeou.

Questions from Senator Enzi**Question 1**

At the December 2012 Joint Commission on Commerce and Trade (JCCT), the United States and China agreed to hold further discussions in 2013 to “work toward a mutual understanding of China’s VAT system.” The experience of the U.S. soda ash industry has been that China’s manipulation of its VAT rebate distorts trade. What are the U.S. objectives for the VAT rebate discussion? When will the talks will take place, and does the U.S. anticipate it to be an ongoing dialogue?”

Answer:

At the December 2012 JCCT meeting, China agreed to hold discussions with the United States regarding China’s VAT system. The Administration intends to use these discussions to work toward a mutual

understanding of the concepts on which a trade-neutral VAT system is based and the impact of China's VAT system on energy conservation, emissions reduction and trade.

In a normally functioning VAT system, the VAT operates in a trade-neutral manner. That means that the VAT is automatically rebated in full for all exports. However, China uses different VAT rebate rates on exports for different sectors and for different products within a sector. The differences in tax burdens between products can significantly distort normal production and trade patterns, as we have seen, for example, in the steel, aluminum and glass sectors.

Through our discussions with China, we intend to address the advantages of a trade-neutral VAT system and to explain the impact of China's VAT rebate policy on trade. We also intend to explore with China whether its VAT rebate policy has been successful in achieving the goals that China has invoked in pursuing that policy, i.e., energy conservation and emissions reduction.

It has been envisioned that the discussions will begin in China in the first half of 2013. However, no discussions have yet been scheduled

Question 2

As you know, Canada has repeatedly been on USTR's Priority Watch List due to its weakness in a range of areas related to IP protection. For example- just related to the biopharmaceutical industry alone, Canada remains one of the only industrialized countries not to compensate innovators for lost effective patent life due to the regulatory approval process. Likewise, the courts in Canada have created a heightened standard for patentable utility for pharmaceuticals that raises uncertainty as to how much information needs to be disclosed in patent applications. This standard is inconsistent with common practice in the U.S. and international obligations against discrimination on the basis of field of technology. Additionally, innovative companies do not have the same rights of appeal as afforded to generic producers in the patent challenge procedure. Countries like Canada that choose not to bring their IP standards in line with other countries pose a great risk to American jobs and economic growth—how do you intend to deal with these issues in the context of Canada's entry into TPP negotiations?

Answer:

As you know, we have had longstanding concerns on IP issues with Canada, as well as some recent notable improvements. With respect to the emerging utility test that Canadian courts have been applying to pharmaceutical patents in some cases, we are troubled by the negative consequences this test is having on U.S. patent holders. USTR is working with representatives of the affected companies and industries to ensure that we fully understand the issue and its possible solutions, and to engage with the Government of Canada with a view to ensuring that U.S. inventors continue to enjoy adequate and effective protection of patent rights in Canada in line with relevant international norms.

Question 3

We've heard a great deal about the challenges faced by US business due to Indian government policies. Many have compared India's policies to China's—and feel that these policies are removing opportunities for market access in this growing economy of 1.2 billion people. These market access challenges are not limited to one industry—but are impacting agriculture, the biopharmaceutical industry, technology companies, and others. India has the potential for enormous US commercial interaction, but many improvements are needed to level the playing field between our two countries. Ambassador Marantis—I know that India has been a focus of your work as Deputy USTR—what are USTR's plans over the next year to combat the increasing challenges we face in India?

Answer:

We recognize the significant potential as well as challenges presented by the Indian market, and share your concern about recent policies that have increased those challenges for U.S. firms across sectors.

We are taking a comprehensive approach to addressing these challenges. This includes engaging the Indian government bilaterally in regular trade and investment discussions as well as in other bilateral fora such as the US-India Energy Dialogue and the Information and Communications Technology (ICT) Working Group. Working with like-minded trading partners, we are also actively pressing India on these issues in the WTO, where we have received active support from a range of WTO Members. We are also encouraging India to be more constructive in working to craft a small package for the 9th WTO Ministerial meeting in Bali in December 2013. Agreement on such a package, which would include an agreement on Trade Facilitation, would benefit U.S. firms in a wide range of sectors. Given India's recent trend towards adopting localization barriers to trade, we are also working through our TPSC Task Force on localization barriers to improve coordination and whole-of-government advocacy on this issue. Finally, we are exercising our rights under the WTO dispute settlement mechanism to help ensure that India's policies are in line with its WTO commitments.

Questions from Senator Nelson**Question 1**

Japan announced its intentions to join the Trans-Pacific Partnership negotiations last week. The United States ships more fresh grapefruit to Japan than it ships to any other country in the world. The Japanese demand high quality and they pay the highest prices. Nonetheless, Japan maintains high tariffs on both grapefruit (10 percent) and grapefruit juice (27 percent or more). The inclusion of Japan in TPP negotiations is a great opportunity for our citrus producers. I understand some Members are already voicing opposition to Japan's participation in TPP talks. Such talk may be premature. The more inclusive we make this agreement, the more we can increase exports and create jobs here at home. Is the United States committed to including Japan in the TPP negotiations? Are there any specific, substantive preconditions to Japan joining the TPP talks, other than an agreement to accept what has been negotiated thus far?

Answer:

Bilateral consultations with Japan remain ongoing to assess Japan's readiness to meet the comprehensive, high-standard objectives of the TPP agreement, as well as to address bilateral issues of concern. As a result, no decision has yet been made with respect to whether the Administration is able to support Japan's candidacy for TPP membership. The Administration remains fully mindful of the potential benefits, as well as of the serious concerns raised by Members and U.S. stakeholders about Japan's possible participation in the TPP negotiations.

Question 2

I have long supported the Administration's pursuit of a transatlantic free trade agreement with the European Union. What do you believe such an agreement could do for service sector jobs, such as those in the travel and tourism industry? What are the United States' primary objectives with respect to opening up the European Union's services sector?

Answer:

Our primary objectives for the TTIP agreement as it relates to services are improving market access for cross-border services, financial services, telecommunications and e-commerce, and establishing commitments for transparency, impartiality and due process with regard to authorizations to supply services. Given the historic openness of both the European and U.S. services markets in most service sectors, as illustrated by the close integration of industries such as travel and tourism, the principle benefits will flow from increased legal certainty, improved regulatory cooperation, and establishment of a model of open trade in services for third countries.

Question 3

Some economists argue state-owned enterprises pose a significant challenge for U.S. companies looking to do business abroad, many of whom are not used to competing in non-market economies. First, how influential are state-owned enterprises in some of the Trans-Pacific Partnership member countries, such as Vietnam, Malaysia, and Singapore? Second, what should we do to ensure our exporters can compete in these countries?

Answer:

Many TPP countries, including Vietnam, Malaysia, and Singapore, have a significant number of state-owned enterprises, and the role they play varies by country. We agree that state-owned enterprises can pose challenges to U.S. companies and for that reason have proposed new disciplines in the TPP negotiations to ensure that U.S. businesses are not disadvantaged. Our proposal seeks to address the unfair advantages that governments provide to state-owned enterprises that are primarily commercial in nature, compete directly with the private sector, and have an impact on trade or investment.

Question 4

On average, Americans pay much more for their prescription drugs than do our counterparts in other TPP countries. Do you have any insight into how our trading partners are able to significantly lower the cost of drugs, in comparison to our prices? Is there cost shifting across jurisdictions? If so, is there anything we can do through trade negotiations to ensure a more level playing field for U.S. consumers?

Answer:

A variety of factors affect drug prices, making it difficult to identify any single policy or factor. Broadly speaking, however, it is important that our trading partners maintain transparent and balanced systems that both respect and support innovation and provide clear pathways for generic market entry, often at lower cost, upon the expiration of relevant intellectual property protections that provide the incentives for initial development and commercialization. An effective, transparent, and predictable intellectual property system is necessary for both manufacturers of innovative medicines and manufacturers of generic medicines. For example, in the United States we maintain a robust intellectual property system, while at the same time approximately 75 percent of all prescriptions in the United States are filled by generic products and the United States boasts some of the lowest prices for generics anywhere in the world. In these respects, there are many features of the U.S. system that the U.S. Government would like to share with its trading partners to help them achieve an appropriate balance as well.

Questions from Senator Portman

Question 1

We understand that USTR is operating under the objectives outlined by the previous version of Trade Promotion Authority that lapsed in 2007. There was a TPA objective to obtain a standard of intellectual property protection similar to that found in U.S. law. I understand that current U.S. law regarding data-protection for biologics is clearly set at 12 years. Given this background, why has USTR refused to seek the 12 years as set by current US law during the Trans-Pacific Partnership negotiations?

Answer:

We share a clear appreciation that biologic drugs are a vital area of pharmaceutical innovation, now and in the future. We've been discussing this issue with our trading partners, Members of Congress, and with stakeholders. We have not made a specific proposal for a longer term for biologics pending further discussions with our partners on how this issue should be included in the agreement. We appreciate your continuing input on this important issue as those discussions continue.

Question 2

I have heard from many U.S. companies about the growing problem of the theft of trade secrets, and I understand that the Administration recently announced a broad initiative on this. Will U.S. negotiators consider using the Transatlantic trade negotiations to align US and EU interests on dealing with trade secrets, especially in relation to China?

Answer:

On February 20 of this year, the Administration announced its Strategy on Mitigating the Theft of U.S. Trade Secrets to continue and to enhance U.S. Government efforts to stop the theft of U.S. trade secrets by foreign competitors or foreign governments. Reflecting the Strategy's commitment to sustained and enhanced international engagement with trading partners, the United States has coordinated closely with the European Union (EU) on this critical issue, including as a priority agenda item in the Transatlantic Intellectual Property Rights Working Group. Through such transatlantic engagement, we have found a significant convergence of interest, and have worked together to address specific concerns in third countries. We look forward to continuing to collaborate with the EU through all appropriate channels.

Question 3

U.S. companies in a diverse range of sectors including manufacturing, Information Technology, telecommunications, and energy, are reporting that governments around the world are instituting new and discriminatory policies—known as local content requirements—designed to force American companies to manufacture locally, purchase from local suppliers, or to put them at a disadvantage compared to their domestic competitors. I understand that the Administration has created an interagency working group on localization barriers to trade to study the problem of local content requirements and develop solutions. What specific enforcement steps will you take to roll back these policies, protect the international rules-based trading regime, and ensure that U.S. companies can compete fairly in critical markets around the world?

Answer:

The Administration is determined to ensure that rules-based international trade promotes innovation and competition to the benefit of all businesses and consumers worldwide. That is why the Administration is tackling emerging problems that increasingly affect trade in the 21st century, including the serious threat to U.S. manufacturers and service suppliers from localization barriers to trade.

We are actively combating “localization barriers to trade”—i.e., measures designed to protect, favor, or stimulate domestic industries, service providers, and/or intellectual property (IP) at the expense of goods, services, or IP from other countries. The use of these measures has increased in the last few years, especially in some of the world's largest and fastest growing markets.

Building on progress made in 2012, the TPSC taskforce on localization will coordinate an Administration-wide, all-hands-on-deck approach to tackle this growing challenge in bilateral, regional, and multilateral forums, and through trade agreements, enforcement, and policy advocacy. This approach includes working with stakeholders in the United States and like-minded trading partners to (1) multilateralize work to address localization barriers to trade; (2) promote global-level policy approaches that offer better ways to stimulate job creation and economic growth than localization barriers, and (3) make the analytical case against localization barriers.

Questions from Senator Wyden

Question 1

Foreign suppliers are taking advantage of lax enforcement of anti-dumping and countervailing duty laws at our border. These suppliers, often Chinese, are routinely evading duties—they are cheating—and Customs and Border Protection isn't using the tools that Congress already provided it to stop the cheats and collect the AD/CV duties. As a result, this committee, in strong bipartisan fashion reported out the ENFORCE Act, which would establish consistent disciplines for how CBP addresses duty evasion. It provides clear timelines and a clear mandate to use its tools to collect the duties that protect American jobs. Is it your view that legislation such as this would be helpful to enforce the trade laws and give confidence to American producers that the trade agenda is working for them, too?

Answer:

Strong enforcement of our trade remedy laws is an important priority for this Administration to ensure a level playing field in the United States for workers, farmers, ranchers and businesses. A key element of that is strong and effective border enforcement. It is my understanding the Finance Committee is currently working with you to advance elements of your bill. We stand ready to work with you and this Committee, along with the Department of Commerce and CBP, to address the shared goal of ensuring that trade remedy laws are being enforced in the most effective way possible.

Question 2

As the Chair of the Energy and Natural Resources Committee, I can tell you that new environmental and related economic challenges are surfacing every day. It's true at home, if you look at the debate over fracking and oil and natural gas. It's true when you look abroad, too, and see logging and fishing practices that are not only bad for the environment but also create an unlevel economic playing field upon which American producers must compete. What is the USTR seeking in the TPP negotiations that would respond to these types of new challenges?

Answer:

The Administration is seeking a high-standard, comprehensive agreement in the TPP negotiations. In doing so, we have worked with Congress, stakeholders, and agencies to develop innovative environment proposals appropriate to a 21st-century agreement. In response to new trade and environment challenges, we have proposed environmental commitments to address trade in illegally taken wildlife and illegally harvested timber, and harmful fisheries subsidies and illegal fishing practices. Our

proposals for the TPP environment chapter are mutually supportive of both our environmental and economic objectives and demonstrate our commitment to addressing 21st-century challenges.

Question 3

I and others remained concerned about the degree of transparency in trade negotiations, particularly around areas where there is a real public interest, like issues that could impact Internet freedom. In many areas, the Obama Administration has made great strides in recognizing and relying on the value that the public provides in policy making. Will the USTR work with me and with other stakeholders to identify new ways in which the public can be more informed and involved in the trade negotiations, particularly those that may affect the Internet and the digital economy?

Answer:

Transparency in our trade negotiations is a priority for this Administration. The USTR and other senior USTR officials have met with numerous stakeholders representing a broad range of views over the past four years, and will continue to do so. In the last year alone—in Washington and during domestic travel—we have engaged on a number of occasions with individuals from labor, agriculture, small and large businesses, women-owned businesses, local elected officials and non-governmental organizations through briefings and meetings to hear their views and to share more information about our trade policy. We will continue our outreach efforts while seeking ways to improve and increase stakeholder participation—particularly with regard to the emerging issues that we are seeking to address in a balanced fashion in new, 21st-century trade agreements.

Question 4

Do you believe that free trade agreements should require our trading partners to establish Intellectual Property Rights that exceed U.S. law and require an enforcement regime that is more punitive than U.S. law? Do you believe that free trade agreements should limit the flexibility of Congress to address the challenges posed by new technologies, such as adopting a permanent exception to the Digital Millennium Copyright Act to allow cell phone unlocking?

Answer:

Congress has set out U.S. IP laws in these areas, and the Administration does not feel it is appropriate to exceed those existing U.S. laws. With regard to the Digital Millennium Copyright Act (DMCA), U.S. free trade agreements follow the strong and balanced approach that Congress established in that legislation, and provide flexibility for new exceptions to technological protection measures in the same way that Congress provided that flexibility in the DMCA.

Question 5

President Obama notified Congress on January 15 of the Administration's intent to enter into the International Services Agreement negotiations with 20 other countries. Most people are aware of the TPP and the EU-US FTA but I'm concerned that the administration has yet to put as much emphasis on the International Services Agreement upcoming negotiations. The ISA negotiations are the most promising opportunity in two decades to advance services trade internationally. This is among the nation's first opportunities to establish disciplines specific to digital services, one of the most promising sectors of the American and global economy. What assurances can I get from you that the Administration will put as much effort on the ISA negotiations as it does on the TPP and the TTIP and can you give some ideas as to how the Administration is planning to engage with Congress during the ISA negotiations?

Answer:

The Administration views the negotiations for a Trade in Services Agreement (TISA) as one of the pillars of our efforts to open markets for U.S. exporters. Led by Deputy USTR Punke, we have been working to develop the concept and build support among other parties for over two years. This effort is bearing fruit as 21 other economies are now prepared to move to the next phase of formal negotiations.

In launching negotiations, we recognize that the hard work is just beginning. We are confident that we have the skilled personnel to negotiate this agreement in parallel with the TPP and TTIP. At USTR, we are accustomed to working in multiple venues simultaneously and within tight budgets.

With regard to consultations with Congress during the negotiations, we plan to continue the practice applied during the TPP negotiations, which includes regular briefings of committees with jurisdiction on services matters.

Question 6

I am pleased that the President continues his focus and emphasis on doubling U.S. exports by 2015. Congress has been actively exploring ways to help increase U.S. exports. More than 50 years ago, Congress recognized that when US components are used to manufacture goods abroad and returned, tariffs should not be levied on the US content of the returned good. Such recognition is provided for in Chapter 98 of the Harmonized Tariff Schedule. However, I have learned that U.S.-formed yarns and US formed fabrics are not benefitting from this provision. My state enjoys significant yarn and textile production that is being discriminated against under this provision. I want to ensure that all our manufacturers are able to benefit from the long standing tariff provision that does not levy US import tariffs on US inputs. Would USTR agree that expanding currently existing programs to include additional product coverage to benefit US manufacturers would aid promoting exports for US goods?

Answer: We are very pleased, and stand ready, to examine proposals from Members of Congress and U.S. manufacturers on ways to increase production and exports, in a manner consistent with our trade policy, free trade agreements, and preferential trade arrangements.

COMMUNICATION



DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT

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COMMISSIONER

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April 1, 2013

Senate Finance Committee
Full Committee hearing on "The President's 2013 Trade Agenda"
March 19, 2013
Submission for the Record
Tennessee Department of Economic and Community Development

The Honorable Max Baucus
Chairman
Committee on Finance
United States Senate
Washington, DC 20510

The Honorable Orrin Hatch
Ranking Member
Committee on Finance
United States Senate
Washington, DC 20510

Dear Chairman Baucus and Ranking Member Hatch,

The Tennessee Department of Economic and Community Development, the department within the State of Tennessee charged with promoting economic growth within the state, strongly urges you to support the negotiation and implementation of a free trade agreement with the European Union.

Despite the current turbulent economic situation, Europe remains a crucial trading partner to the United States, and consequently to Tennessee as well. In 2012, Tennessee exported approximately \$5.3 billion worth of goods and services to the 27 EU member countries, supporting an estimated 26,500 jobs. Furthermore, 477 European companies employ over 63,000 Tennesseans and European companies invested \$500 million in Tennessee during 2012 alone. The reduction and/or elimination of existing tariffs and other trade barriers through a free trade agreement would result in increased exports from Tennessee to the EU and additional foreign investment in Tennessee by businesses seeking to export goods to Europe.

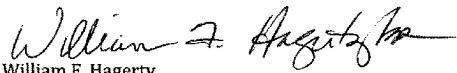
With low taxes, world-class infrastructure, one of the lowest state debts per capita in the country and students making significant gains in math and science statewide, Tennessee is a very attractive place to do business. Tennessee's economy has performed well relative to other states during the past two years, ranking fifth in the nation in rate of job growth during this period and Tennesseans saw their personal incomes rise faster than all other Southeastern states during the past year as well. Without a doubt, enhanced access to customers in Europe would play a large role in Tennessee continuing its record of economic success.

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While Tennessee exports a wide variety of goods to Europe ranging from medical equipment to chemicals, it is the automotive sector that a new EU free trade agreement would likely impact the most. Capital investment in automotive manufacturing facilities in Mexico outpaced investment in the Southeastern U.S. by more than 75% from 2010 to 2012. A key driver of this trend is that Mexico has a free trade agreement with the EU. The U.S. does not, and due to this imbalance, the proposed EU free trade agreement is essential as such an agreement would create a level playing field with our southern neighbor. Automotive companies seeking to export to the EU from North America would not be subject to the high tariffs that currently make Mexico an attractive location. In 2012, one automotive manufacturer chose to launch a new vehicle line in Mexico rather than at a site in Tennessee in part due to tariffs on U.S. automobiles sold in Europe. Tennessee is concerned that more companies will make the same decision if a new trade agreement is not enacted.

Congressional leadership recently brought about trade agreements with South Korea, Colombia and Panama. Tennessee companies have benefitted greatly from improved access to these markets. The proposed European free trade agreement would have a tremendous impact on our state's economy and, as a result, the Tennessee Department of Economic and Community Development urges you to support the rapid negotiation and enactment of a new free trade agreement with the EU.

Sincerely,



William F. Hagerty

Commissioner

Tennessee Department of Economic and Community Development

